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# Arizona Community Acti

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Arizona Corporation Commission
DOCKETED
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February 8, 2007

The Honorable Lyn Farmer
Arizona Corporation Commission
1200 W. Washington
Phoenix, AZ 85007-2927

RE: G-04204A-06-0463; G-04204A-06-0013; G-04204A-05-0831

Dear Judge Farmer:

Enclosed please find Miquelle Scheier's testimony on behalf of Arizona Community Action Association (ACAA) in the above-referenced cases.

Ms. Scheier lives and works in Flagstaff and will make herself available for the Hearing in this case. If, however, a time specific for her to testify may be set, it would be very much appreciated. Additionally, ACAA is not represented by Counsel in this case, so please advise how you would like us to present this case at hearing.

If you have any questions or need any additional information, please let me know.

Sincerely,

Cynthia Zwick
Executive Director

c: Miquelle Scheier
Michael Patten
Raymond Heyman
Scott Wakefield

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## BEFORE THE ARIZONA CORPORATION COMMISSION

JEFF HATCH-MILLER, CHAIRMAN
MIKE GLEASON, Commissioner
KRISTIN K. MAYES, Commissioner
WILLIAM MUNDELL, Commissioner
GARY PIERCE, Commissioner

| | |
|---|---|
| IN THE MATTER OF THE APPLICATION OF UNS GAS, INC. FOR ESTABLISHMENT OF JUST AND REASONABLE RATES AND CHARGES DESIGNED TO REALIZE A REASONABLE RATE OF RETURN ON THE FAIR VALUE OF THE PROPERTIES OF UNS GAS, INC. DEVOTED TO ITS OPERATIONS THROUGHOUT THE STATE OF ARIZONA | DOCKET NO. G-04204A-06-0463 |
| IN THE MATTER OF THE APPLICATION OF UNS GAS, INC. TO REVIEW AND REVISE ITS PURCHASED GAS ADJUSTOR | DOCKET NO. G-04204A-06-0013 |
| IN THE MATTER OF THE INQUIRY INTO THE PRUDENCE OF THE GAS PROCUREMENT PRACTICES OF UNS GAS, INC. | DOCKET NO. G-04204A-05-0831 |

**DIRECT TESTIMONY OF ARIZONA COMMUNITY ACTION ASSOCIATION BY MIQUELLE SCHEIER.**

**Q. Please state your name and business address.**

A. My name is Miquelle Scheier. My business address is 2625 N. King St. Flagstaff, AZ 86004-1884.

**Q. By whom are you employed and what is your position?**

A. I am employed by Coconino County Community Services Division and I am the Senior Manager for the Community Resource Division.

**Q. Ms. Scheier, what is the purpose of your testimony in this proceeding?**

A. I am testifying on behalf of the Arizona Community Action Association (ACAA) and low-income residential customers in the Unisource Gas (UES) service territory. I am testifying for several purposes: 1) to urge the Commission to hold low-income customers harmless in this rate case by increasing the R12 discount to an amount commensurate with any residential rate increase the Company may be awarded, and in particular to reject the Company's proposed structure for R12, which reduces the discount to larger, colder climate users; 2) to urge the Commission to increase the marketing of the R12 discount, including funding efforts by Community Action Agencies (CAAs) to reach target low-income customers; 3) to urge the Commission to require the automatic enrollment of LIHEAP eligible customers of record in the R12 discount rate program; 4) to urge the Commission to ask the Company to cease and desist in the practice of referring cash-paying customers to predatory lenders throughout their service territory, and to stop charging additional fees to do so; 5) request that the bill assistance money being made available by the Company be increased from the proposed $21,500 to $50,000 and be directed to the statewide non-profit Arizona fuel fund being created and managed by ACAA; 6) increase the Low-income Weatherization (LIW) funds, currently at $75,000, proposed to be increased to about $104,000 in fact be increased to $200,000 to expand the number of low income residential units that can be weatherized; 7) recommend the LIW funds allow for $20,000 in funding of community volunteer weatherization efforts by CAAs in the service area, thereby allowing them to leverage volunteer efforts, and 8) recommend the proposed reduction of the time between bill date and payment due date from 20 days to 10 days be flatly rejected.

**Q. What is your position with ACAA and what has been your experience with low-income issues?**

A. I am a member of the Board of Directors for ACAA, and serve as a member of the Executive Committee, a position I have held since 2004. Coconino County Community Services Division is one of ten designated Community Action Agencies in Arizona, and I have been employed with the County for 23 years. I lead the Community Resource

Division and provide the oversight for the Emergency Services programs which provide emergency and crisis services to eligible low-income, elderly, disabled and vulnerable persons; develop collaborations with community agencies throughout Coconino County to provide comprehensive crisis management, and ensure positive working relationships with community agencies and organizations. I direct the planning, development, implementation, administration and evaluation of multiple public programs and activities designed to assist and support our low-income, elderly and disabled populations to move through crisis toward stabilization and self-sufficiency. I supervise and direct senior management, prepare and manage our division budget including grant preparation and negotiation of contracts with various local, state and federal entities. I advocate for our vulnerable populations to ensure equitable and fair treatment by public and private agencies to the populations we serve. The mission of our department is to promote healthy and vital communities throughout Coconino County and to create innovative and effective programs that measurably meet the needs of the low-income, elderly and disabled residents of Coconino County by promoting independence and opportunities for success through coordinated community relationships.

**Q. Please describe ACAA.**

A. ACAA is a statewide organization of individuals, organizations and private sector members working together to find community based avenues of economic self-sufficiency for the almost 700,000 low-income Arizonans. There are 37 Community Action Programs (CAPs) throughout the State, serving every community. These agencies address self-sufficiency and the crisis needs of low-income individuals and families on a day-to-day basis in several ways: job counseling and training, homeless services, housing counseling and placement, energy assistance, home repair and weatherization, food assistance, senior centers, child care and in some cases Head Start programs. Community Action Agencies stand for the voiceless, the poor, the elderly and the disabled in our State, those who tend to become invisible in our communities, and we have done so for more than 40 years.

Arizona Community Action Association serves as the statewide association for all of the above-mentioned programs. ACAA is a non-partisan, private non-profit 501(c)(3) membership organization, governed by a 23 member Board of Directors. ACAA has developed a reputation throughout our history of providing credibility and factual data on the subject of poverty in Arizona. For example, ACAA conducted and completed the 2003 Arizona Poverty Report, a study on poverty in Arizona, the third such publication we have published since 1985.[1] These studies have been a result of quantitative and qualitative research, including community meetings held throughout the State, soliciting the views of people from diverse walks of life.

**Q. What is ACAA's interest and involvement in utility issues?**

A. Throughout the past 19 years, ACAA has worked cooperatively with Arizona's utility companies to develop public policies and programs that decrease the energy affordability gaps of low-income customers. An example of these cooperative efforts is the establishment of the Utility Repair Replacement and Deposit program by the Arizona State Legislature. This very successful program was the first of its kind in the nation and has been modeled by several other states since its inception in 1989. This fund now generates in excess of $1 million for low-income utility customers. This is but one example of where Community Action Programs and utilities combined their respective knowledge to find solutions targeted for lower-income customers.

Just as importantly, ACAA has actively engaged every major energy utility company in Arizona over the past 19 years, in full cooperation with the Arizona Corporation Commission, as those companies have proposed rate changes for their residential customers. As a result of ACAA's leadership, every utility company in Arizona has a low-income energy program of some sort, whether it be a discounted rate, bill assistance or weatherization program.

[1] Power in Arizona: Working Towards Solutions, ACAA, 2003

**Q. What has ACAA's relationship been with Unisource Gas regarding low-income residential customers?**

A. Representatives of ACAA, myself included, began meeting with representatives of UES prior to our intervention in this rate case, in order to learn more about the services offered through the company to the low-income community and customers. Additionally, Community Action Programs provide services using UES funds for bill assistance and weatherization. Meetings have also taken place with Company representatives to voice our concern about the practice of sending cash customers to predatory lending facilities in order to pay their UES utility bills.

**Q. When you refer to low-income Arizonans, how many people are you talking about?**

A. Poverty is a problem of increasing severity in Arizona. The total number of people living in poverty in Arizona is approximately 698,669 or 13.9%.[2] In the service territory served by UES, the numbers are as follows: Coconino County, 17.9% of the population or 21,619 people; Mohave County, 15.3% or 28,453 people; Navajo County, 29% or 30,796 people; Santa Cruz, 24.5% or 9,356 people; and in Yavapai County, 12.8% or 24,951. For all five counties served, there are at least 115,175 people living in poverty, an average of 19.9% of the population.

**Q. Would you more fully describe what you mean by poverty?**

A. The 698,669 individuals referenced above, are living at or below the federal poverty line, which means those individuals are earning $10,210 or less annually in 2007. For a family of three, the annual income is $17,170.

[2] Source: US Census Bureau, http://factfinder.census.gov

**Q. What does this mean in real terms?**

A. Arizona is seeing an increase in the numbers of working poor. We define the working poor as a family with an income of less than 200% of the federal poverty level. 200% may sound like quite a bit, but it actually only equates to $34,340 for a family of three. These families find it more and more difficult to make ends meet, and must constantly make choices about whether to pay the rent, buy food, clothe themselves, forego health insurance or pay their utility bills. Non-payment of utility bills is the second leading cause of homelessness, the first being the inability of an individual or family to pay their rent. These families are living pay check to pay check, without an opportunity to develop assets in order to protect themselves against unforeseen circumstances.

**Q. What effects do rising utility rates have on Arizona's low-income population?**

A. The issue of affordability has significant consequences for both the low-income ratepayer and utility company. Although low-income households tend to consume less total energy than the average household, the burden of energy bills, expressed as a percentage of income is considerably greater for those who have lower incomes. A study conducted by APPRISE in 2003, found that of the Low Income Home Energy Assistance Program (LIHEAP) eligible households in Arizona (LIHEAP has an eligibility of 150% of poverty), 44% had an energy burden of 10% or greater, 17% had an energy burden of 25% or greater.[3] For a family earning $17,170, this means they are paying approximately $4300 a year on their utilities, leaving them with $12,870 for everything else they need to survive, including housing, food, transportation, insurance, clothing and school supplies to name a few. Any savings that a low-income family might realize could be spent on necessities, and where appropriate, reducing past arrearages in their gas bills.

Throughout Arizona, 37 Community Action Programs (CAPs) operating more than 100 sites, assist approximately 29,000 households with LIHEAP. Fifty-seven percent of those served were living under 75% of the poverty level, 22% were seniors, 49% were

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[3] Source: APPRISE Inc. 2005 Energy Needs: Profile of Low Income Households – Phoenix and Arizona

disabled, and 19% were children. In 2003, the APPRISE study found that of 436,000 LIHEAP eligible households, 18,600 received assistance with their utility bills from LIHEAP. We can say that we are only serving 4% of the eligible households, which is devastating to our communities.

**Q. Why are utility bill assistance programs so important to ACAA and the low-income community?**

A. Often, LIHEAP or utility bill assistance is the only resource available for a family to stay warm in the winter and cool in the summer. Additionally when utility bills are paid through utility bill assistance programs, other money may be used to feed the family and eliminate or reduce other difficult choices a family must make. Recently, the Children's Sentinel Nutrition Assessment Program (C-SNAP), a national network of clinicians and public health specialists, conducted research that indicated that LIHEAP can positively affect children's health and development. "Compared with children in eligible households *not* receiving LIHEAP, children in households receiving LIHEAP experienced: decreased nutritional risk for growth problems; no evidence of increased obesity; and lower odds of acute hospitalization."[4] LIHEAP, and bill assistance programs that help bridge the gap that is not supported through LIHEAP, exerts strong influence on children's health and development.

Through day to day contact with low income utility consumers, Community Action Programs have learned that just paying past due utility bills for families is not the solution to the ongoing problem of unaffordable gas, electricity, water and basic housing needs, but it can mean the difference between good health and homelessness.

**Q. What experience do Community Action Agencies have in energy efficiency and weatherization?**

[4] Source: Children's Sentinel Nutrition Assessment Program "Federal Fuel Assistance Reduces Health Risks for Young Children," February 1, 2007

A. Arizona Community Action Agencies have extensive experience in operating and administering weatherization programs. Community Action Agencies have been operating the federal weatherization program since 1977 and are considered the "presumptive sponsors" of the weatherization assistance program at the local level. All sub-grantees are either non-profit organizations or units of general- purpose government such as a city or a county. The Community Action weatherization program missions are to reduce utility costs for low-income families, particularly for the elderly, people with disabilities and children by improving the energy efficiency of their homes and ensuring their health and safety.

Through more than 40 years of experience at Community Action Programs across the nation and in Arizona, we have learned that combining our philosophy of promoting family self-sufficiency with our belief in integration of services we can make the biggest inroads to long-term problem solving. Through the comprehensive delivery of resources to troubled households we have found we can have the biggest successes in terms of self-sufficiency. Community Action Programs have learned that by targeting the resources of the low-income weatherization program to LIHEAP recipients with the highest utility bills, a real difference can be made on a more permanent basis toward reducing continuing arrearage and shutoff problems.

In addition, when weatherization activities are leveraged with other private and public resources, an entire energy conservation package can be applied to a home, resulting in more cost effective and long-term energy savings.

**Q. What services are considered to be weatherization services?**

A. Weatherization includes: adding thermal insulation to the building envelope, usually attic insulation; adding programmable thermostats and providing instruction in their use; providing thermal film for windows, especially single pane units; shading sun exposed windows; implementing air leak control measures to reduce excessive infiltration of outside air; testing, tuning and maintaining heating and cooling equipment; reducing duct leakage where heating and central refrigerated air is distributed by a forced air system; and installing low-flow showerheads and other general energy and water efficiency measures.

**Q. Is the amount being requested for weatherization services in this case adequate based upon community need?**

A. No, it really isn't. $135,000 will weatherize approximately 56 homes, which is an increase from 37 homes previously funded. We believe a more realistic number of homes, in order to have an impact in the community and to realize significant savings, is 100 to 200 homes, which would cost $200,000 to $400,000 if $2000 is spent per home. A portion of these funds should be used to fund volunteer programs throughout the service territory, similar to the program Coconino County ran last year that enabled the volunteers to conduct energy education, install thermostats, and instruct the homeowner about the proper use of the thermostats. We would recommend the volunteer funding begin at approximately $20,000, with an evaluation by the program sponsors to determine effectiveness of these efforts.

**Q. Are there any community benefits of the program?**

A. Yes. The U.S. Department of Energy reports that for every dollar invested in the Program, weatherization returns $2.69 in energy and non-energy related benefits. Additionally, weatherization creates 52 direct jobs for every $1 million invested and on a national level, weatherization measures reduce energy demand by the equivalent of 18 million barrels of oil per year. Families realize an immediate gain, their energy bills average a 15% savings or approximately $274 per year depending on fuel prices. These are savings that a family can put to use immediately and that directly benefit the communities where the family lives and works.

**Q. What is your concern about the Unisource rate increase?**

A. We have a number of concerns. The low-income community is already struggling to pay utility bills. This increase would make the ability to maintain service even more difficult. We would request that rather than any increase being passed along to the low-income customers, those customers be held harmless and that the customers eligible for the R12 discount also be held harmless from any increases in the Throughput Adjuster Mechanism (TAM). Any additional charges will simply make it more difficult for these customers to maintain service, and will increase the number of disconnects the company will have to initiate.

At this point, based on data provided by the Company, the bad debt incurred by CARES customers (R12) is only 4% of the total bad debt for residential customers. Increases in the CARES rate will, we believe, cause this number to increase.

Another concern relates to the outreach done by the Company to enroll customers in the CARES program. At this time, there are approximately 5300 CARES rate payers. While we cannot provide a specific number of eligible customers, we know that with an average poverty rate of 19.9% in this service territory, this number should be much higher, closer to 28,000 based on a customer base of 142,206. Therefore, we ask the Commission to require an aggressive marketing/outreach campaign to the potentially eligible customers, informing them of the availability of the CARES program, as well as the Warm Spirits bill assistance and weatherization programs. We also ask that funds be allocated to CAA's to perform this marketing/outreach through the channels that have been established to the eligible customers encouraging sign-up under rate R12.

As we understand it, CARES customers will continue to be exempted from the PGA surcharge, which we support and appreciate.

An additional concern relates to the Warm Spirits program. While we applaud the existence of this program, and the participation by the UES customers who are currently contributing approximately $24,000, we would ask that the Company increase its corporate contribution. When first established, the Company contributed $50,000 to the program. After the first year the program became a dollar for dollar matching program, which actually reduced the Company's contribution, but also resulted in net loss of approximately $2000 to the program. ACAA asks that the Company increase its contribution to a minimum of $50,000 annually, while continuing to support the customer driven efforts. ACAA also volunteers to assist with outreach and efforts to inform the community if that would be helpful.

ACAA has been awarded a contract with the Department of Economic Security (DES) to establish a non-profit fuel fund in Arizona. This is the first warm weather fuel fund that is organized to leverage utility assistance and weatherization dollars in order to provide access to services statewide, including on tribal lands, but also to provide a mechanism for increasing the resources available to the low-income community in Arizona. ACAA asks the Commission to have UES deposit their annual commitment with the fuel fund, and thereby allow the support to their service community to grow and be efficiently managed with the other funds that are being used. It is entirely appropriate that funds raised by UES customers and contributed by UES be directed back to UES customers for support if that is preferred.

ACAA has purchased a software program that will demonstrate, using Company data, that the investment in bill assistance programs realizes a return on investment that is generally much greater than anticipated. In states throughout the Country, the return has been between, 40% - 500 %. If the members of the Commission would be interested in seeing this analytical tool, using UES' data, we would be happy to arrange for the demonstration.

Finally, we are concerned with the $20/month service charge being proposed. While this may result in a decrease for large users over 1200 therms per year, it represents a significant increase for smaller users such as apartment residents or single family units in warmer locations.

**Q. You mentioned that you would be asking that Unisource Energy Services cease and desist from the practice of referring customers, specifically customers who wish or need to pay their bills in cash, to predatory lenders. Can you elaborate on this point?**

A. Yes. Following the release of a Company press release letting the community know that Unisource would be closing many of their branch offices, ACAA learned that customers were being referred to a variety of locations throughout their service territory if customers needed to pay their bills in cash. The reasons set out in the press release were that the Company needed to realize cost savings, and there were safety concerns related to their staff working in branch offices. After doing some research, ACAA learned that UES is sending customers to predatory lenders, and in some instances, charging an additional fee for those customers who are paying their bills in cash.

This causes us a great deal of concern for the following reasons. Cash paying customers are in all likelihood, low-income customers who pay at the last minute and as indicated earlier, are living pay check to pay check. An additional charge for paying their bills in cash is unreasonable and unfair. While the company may make the decision to save costs by closing offices, it is unfair to ask these customers to pay an increased bill amount simply to pay their bills.

An additional concern is the referral of potentially vulnerable customers to predatory lending facilities. Pay day loan businesses are proliferating throughout the United States, and Arizona is no exception. The Center for Responsible Lending (The Center) recently published a study that demonstrates that 90% of payday lending revenues are based on fees stripped from trapped borrowers, and that the typical payday borrower pays back $793 for a $325 loan. The report further finds that payday lending now costs American families $4.2 billion per year in excessive fees.[5]

[5] Center For Responsible Lending, "Financial Quicksand: Payday Lending sinks borrowers in debt with $4.2 billion in predatory fees every year, November 30, 2006

As reported by the Center, the industry relies almost entirely on revenue from borrowers caught in a debt trap. Ninety-one percent (91%) of payday loans go to borrowers with five or more loan transactions a year. Sixty-one and a half percent (61.5%) of payday loans go to borrowers with twelve or more loans per year. In addition, many borrowers go to more than one payday lender. The industry depends on establishing and maintaining a substantial repeat customer base.

**Q. Why is this an issue in this rate case? Don't consumers have a choice about whether to use a payday loan facility?**

A. Absolutely, all consumers have a choice about whether to enter into an agreement with a payday lender. ACAA objects to this practice because it is simply bad policy and an even worse practice, it places already vulnerable customers in a more vulnerable situation. Additionally, we have been told anecdotally that individuals who have had experience with payday lenders are often "afraid" to go back for fear of getting into debt trouble.

We recognize that operating satellite offices in order to accept cash payments is costly. We also recognize that good faith efforts have been made to identify other community partners willing to accept cash payments. We don't understand why other methods cannot be developed, such as the use of technology in the form of "ATM-like kiosks" which can accept cash, nor do we understand when the culture of utility companies accepting the responsibility for accepting cash payments from customers became someone else's problem. Most importantly, we cannot fathom why a reputable company would partner with businesses which have documented predatory practices.

**Q. What is ACAA's concern relative to the proposed modification in the time within which a customer must pay their bill – the shift from 20 to 10 days?**

A. A bill that is delivered to a home may take up to 3 to 4 days for mail delivery each way. This means that bills need to be paid/mailed essentially the day after they are received. This is unreasonable for anyone, including those struggling to make their payments. If a customer is using the automatic deduction option or paying on-line, this may not present a problem. However, for low-income customers who, as we have stated previously, are struggling to make ends meet, it is unlikely that they will be able to pay within this timeframe, and may need to pay in cash. Again, as previously stated, it is not an option for them to be going to the payday loan store for this purpose. This timeframe may drive even more customers to the predatory lender. Twenty days is an absolutely reasonable timeframe in which to pay UES, ten days simply is not.

**Q. Is there anything else you would like to say at this time?**

A. No, thank you for the opportunity to share our concerns. We appreciate UES' willingness to provide resources for the low-income community and we appreciate the Commission's permitting our participation.

Attachments:

1. Poverty in Arizona: Working Towards Solutions, Arizona Community Action Association, 2003.
2. APPRISE Inc., "2005 Energy Needs: Profile of Low Income Households – Phoenix and Arizona.
3. Children's Sentinel Nutrition Assessment Program, "Federal Fuel Assistance Reduces Health Risks for Young Children," February 1, 2007.
4. Center for Responsible Lending, "Financial Quicksand: Payday lending sinks borrowers in debt with $4.2 billion in predatory fees every year," November 30, 2006.
5. UNS August 8, 2006 Press Release
6. Payment Agents from www.uesaz.com/electric/yourbill/Agents.html

RESPECTFULL SUBMITTED this February 8, 2007.

By: Cynthia Zwick

Cynthia Zwick
Executive Director
Arizona Community Action Association
2700 N. Third St., Suite 3040
Phoenix, AZ 85004

By: Miquelle Scheier

Miquelle Scheier
Senior Manager
CoconinoCounty Community
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Copies of the foregoing mailed/delivered
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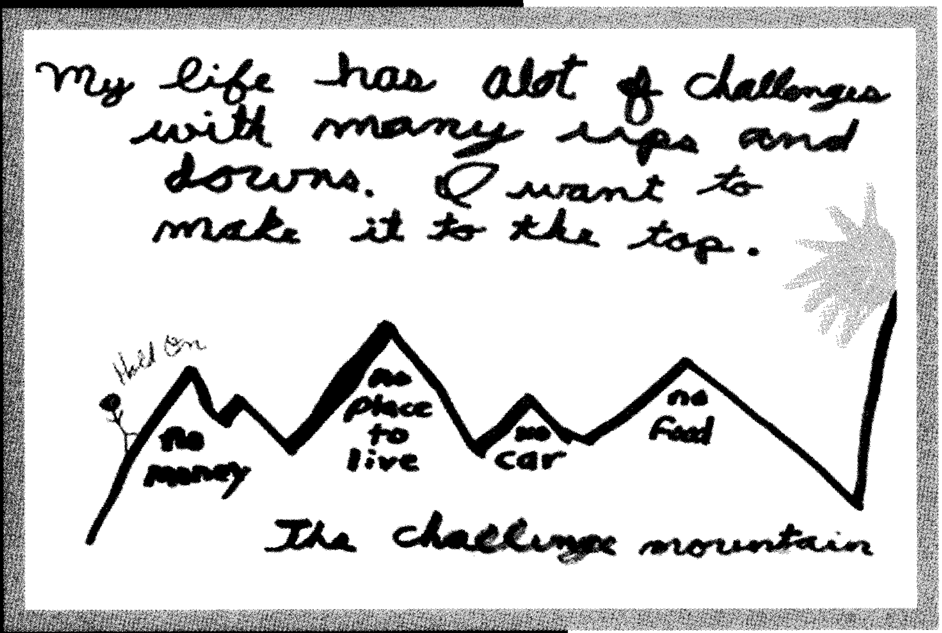
# Poverty in Arizona




*9 year old from Pappas School for Homeless Children*

# WORKING TOWARDS SOLUTIONS

Arizona Community Action Association, Inc.

*This report is dedicated to Joe Montoya*

*We thank him for his years of courage and persistence in the fight against poverty. He taught us that to care means taking action and never accepting "no" as an answer. His legacy to community action will stand for generations to come.*

*We also thank and acknowledge all of the front line people who make a positive difference everyday in the lives of people whom they serve.*

*Report contains artwork created by homeless children attending the Thomas J. Pappas Elementary School in Phoenix Arizona.*

## Acknowledgements

Poverty in Arizona: Working Towards Solutions was produced with the support of many people. Special thanks to the ACAA Board of Directors for their support of the poverty report process. We are especially grateful to the Arizona Department of Economic Security Community Services Administration for their financial and program support. Thanks go to the members of the ACAA Anti-Poverty Committee who donated their time and leadership to this effort. A very special thanks to Miquelle Scheier, Committee Chair for her guidance and leadership.

Most importantly, ACAA would like to thank the many individuals who participated in the community meetings and surveys statewide. This process was accomplished through the cooperation of: Bisbee Head Start, Casa Grande CARE Network, Cochise County Board of Supervisors, Cochise County Salvation Army and St. Vincent De Paul, Cochise County Board of Supervisors, Department of Economic Security, Coconino County Community Services, Community Action Human Resources Agency, Town Of Duncan, Duncan Schools, Duncan Senior Center, Glendale Head Start, East Valley faith-based leaders, Graham County Board of Supervisors, Greenlee County, Miami-Globe Interagency Network, Nogales Interagency Network, Nogales Head Start, Northern Arizona Council of Governments, Payson Interagency Network, City of Phoenix Human Services Department (Phoenix Human Services Commission, Phoenix Community Services Committee, and the John F. Long Family Services Center Community Council), Pima County Rural Services Network, Pinal County Interagency Network, Santa Cruz County Court House, Southeastern Arizona Community Action Program, Southeastern Arizona Governments Organization, West Phoenix Human Services Community Advisory Board, Western Arizona Council of Governments, WACOG Head Start, and the Yuma County Coordinating Council.

This project was produced with the input from many poverty experts in Arizona including Riann Balch, Cindy Gentry, Ginny Hildebrand, Vic Hudenko, Elizabeth Hudgins, Joe Montoya, Tim Schmaltz, Eddie Sissons, Dr. Mary Ann Steger and Karin Uhlich. Thank you for your contributions.

This report was completed with the support and efforts of ACAA's Poverty Report Committee and the staff of ACAA. Thank you for your guidance, patience, and efforts.

***Poverty Report Committee***
Miquelle Scheier, Chair
Judy Starn
Lori Steward
Wenda Meyer
Betsy Bolding

***ACAA Staff***
Mark Sirois, Executive Director (2001-May '03)
Andrea Lundy, Administrative Aide
Mike Hebner, Operations Manager
Pam Shand, Food & Nutrition Manager

Special thanks to Cynthia Olsen for her initial work and research on this report.

Principal Author and Consultant
Steve Capobres

*(September 2003)*

# Table of Contents

# Introduction

*Poverty persists in the midst of plenty.*

*POVERTY IN ARIZONA: A People's Perspective,* published in 1985 by the Arizona Community Action Association, was the first comprehensive, statewide investigation of the issues surrounding poverty. It combined statistical information with feedback from 22 community meetings, offering readers both facts and figures mixed with human experiences.

The results of the 1990 Census revealed an alarming growth in poverty in Arizona. Conditions among children had worsened and average wages failed to keep up with inflation, leaving many working, but still poor. Despite the recommendations in the previous report, conditions had diminished.

With the goal of "putting a face on poverty," *POVERTY IN ARIZONA: A Shared Responsibility* was created. This second report included a demographic profile of Arizona and its 15 counties, comparing data from 1980 and 1990 to identify trends and areas of particular concern. It is in this context that the third volume, *POVERTY IN ARIZONA: Working Towards Solutions* has evolved.

The ACAA Poverty Reports were originally designed as tools for community members to have a voice with elected officials about the conditions and causes of poverty. The ACAA reports rely on two primary sources of information: statistical data and community input. It is the community piece of this equation, gleaned from numerous community meetings held around the state that allows low-income people to have that voice.

The Arizona Community Action Association (ACAA), through its Community Action Programs and their affiliates around the state, advocates for low income Arizonans and assists on their path to economic stability. It is our sincere hope that this report will provide you with a better understanding of the complexity and depth of poverty in Arizona as well as the many ways that we individually and collectively can improve the quality of life for all the citizens of Arizona

# Executive Summary

A look at poverty in Arizona offers one way to assess how well the quality of life is for all of our citizens. Unfortunately, many are quick to promote the successes of Arizona and neglect to convey the other side of the story. While Arizona may lead the nation in growth and job creation, the state continues to feel the negative effects of the types of jobs we are creating -- low-wage.

*POVERTY IN ARIZONA: Working Towards Solutions* attempts to demonstrate what is happening to our state's most vulnerable citizens by describing the conditions of poverty across the state. The report also provides some insights into the contributing factors of poverty and offers some philosophical reflections along with policy recommendations as possible solutions to ending poverty in Arizona.

## The Extent of Poverty in Arizona

*Poverty Rates and Income*

- The poverty rate for the State of Arizona in 1999 was 13.9 percent, down from 15.7 percent in 1989.
- In 1999, Arizona's poverty rate continues to be higher than the national average of 12.4 percent. In 1999, thirty-six states had a poverty rate lower than Arizona.
- In 1999, people below the poverty thresholds numbered 698,669, a figure 134,307 higher than the 564,362 poor in 1989 (a 23.8 percent increase).
- According to the Center on Budget and Policy Priorities, Arizona is among 10 states with the largest gap between the rich and the poor.
- The average 1999 per capita personal income in Arizona was $23,937, 14 percent below the national average of $27,880. Compared to all the states, Arizona ranked 37th in per capita personal income.
- According to an Arizona Children's Action Alliance report completed in 2002, "The Self-Sufficiency Standard for Arizona," a single parent with an infant and a preschool-age child needs to earn a minimum of $40,153 annually to cover basic expenses in Maricopa County.

- In April of 2000, 256,006 people or 5 percent of the population received food stamps. At the same time, 32,927 or 2.5 percent of families were enrolled in TANF. This represents a 20.7 percent decrease in food stamps from April of 1990, and a 25.6 percent decrease in TANF caseloads during the same period.
- Over the last ten years, the number of working poor persons grew 36.8 percent from 718,109 in 1989 to 982,207 in 1999 (ACAA defines "working poor" as people who had incomes equal to or above the poverty level, but less than 199 percent).
- In total, there are close to 1.7 million people in Arizona who are poor or "working poor," one-third of the state's total population.

*Age, Families and Race*

- At 19.3 percent, the poverty rate for children remained higher than that of other age groups. Over 44 percent of Arizona's children are living below 200 percent of the poverty line.
- The 1999 poverty rates are higher than twenty years ago for all age groups except those over 65 who experienced an improvement from 12.3 percent in 1979 to 8.4 percent in 1999.
- In 1999, there were 123,318 families below the poverty line (9.9 percent), up from 67,577 (9.5 percent) in 1979.
- The number of poor families with children headed by single females rose 128.8 percent over the last twenty years, from 20,169 in 1979 to 46,150.
- Among racial/ethnic groups, American Indians experienced the highest poverty rate at 36 percent and Whites had the lowest at 10.1 percent in 1999. American Indians were also represented at a disproportionately higher rate among those in poverty than in the overall population. All races in the State of Arizona saw an improvement in poverty rates from 1989.

*Geographic Distribution*

- 1999 poverty rates in Arizona's counties ranged from a high of 37.8 percent in Apache County to a low of 9.9 percent in Greenlee County. The state's urban areas had a poverty rate of 11.7 percent for Maricopa County and 14.7 percent for Pima County.
- From 1989 to 1999, all Arizona counties experienced an increase in the number of people in poverty, except Apache, Coconino, Greenlee, and La Paz, who saw a 9.9 percent, 0.9 percent, 16.6 percent, and 2 percent decrease respectively.
- The poverty rate for all Arizona Indian reservations was 42.1 percent. The number of people in poverty on Indian reservations dropped 8.8 percent from 1989 to 1999. This was not just isolated to tribes with gaming. The Hopi and Navajo Nations experienced an 18.8 percent and 11.1 percent decrease respectively.

*Community Responses*

- Over 1,100 people participated in twenty-nine community meetings on poverty around the state held between 2000 and 2002. Over half of all those surveyed believe that conditions have gotten ***worse*** in the following areas over the last ten years: Homelessness, emergency food and utility assistance, and affordable health care.

## Contributing Factors to Poverty

- Low wages continue to be the primary challenge for low-income families across the state. Six of Arizona's ten industrial sectors have an average annual salary below the U.S. average of $29,245. These six sectors make up 63 percent of all Arizona jobs.
- The lowest income households have the most serious housing needs and have few alternatives to secure affordable housing. The total affordability gap in Arizona is estimated at 194,700 or about 10.3% of all households. The 2000 Census reports that 16.2 percent of homeowners and 30.0 percent of renters pay 35 percent or more of their income for housing.
- According to research, only one out of ten individuals in the bottom income quintile have a chance to get out of poverty without appropriate education. According to the 2000 Census, 7.8 percent of Arizona's adults 25 years and older had less than a 9th grade education and 81 percent had a high school education or higher. Arizona's ranking among the states dropped from 20th in 1991 to 37th in 2000 for residents with a bachelor's degree.

- In 1997, the Arizona Network for Community Responsibility reported that there are over 300,000 children under 13 living in low-income families who may be eligible for child care subsidies. Yet, current funding will support subsidies for only about 35,000 children. Even though not all eligible children need assistance, thousands of low-income families go without help.
- St. Luke's Health Initiatives reports that Arizona's uninsurance rate in 2000 was one of the highest in the nation at 16 percent or 805,000 people without health coverage. Businesses with 10 employees or less have the highest rate of uninsurance at 45 percent.
- Low income Arizonans cite transportation as one of the most significant barriers to finding and maintaining employment. Studies show that a parent with a car is more likely to be employed and work longer hours than one without a car.
- According to the Arizona Network for Community Responsibility, survey data suggests that many families continue to struggle coming off of welfare. Many are getting behind in rent, rely on family for shelter, or do not have enough to eat at times and rely on getting food from others. Almost one out of every ten parents reported that they were forced to send children elsewhere to live.

## Philosophical Reflections

ACAA believes the time has come for a comprehensive vision to end poverty in Arizona. But ACAA cannot do it alone. Others who are moved to compassion and committed to help must share this vision.

*Community Involvement*

- We must all work together to solve poverty. The active involvement of different actors is essential. Government, business, the non-profit and faith community, along with any caring individual all have distinctive contributions to make.

*Strategic Focus*

- Any serious effort at reducing poverty needs to have clearly articulated goals:

1) Ensure that those who work for a living earn a "livable wage" so they can support their own families.
2) Provide necessary resources for those who want to better themselves.
3) Maintain a decent safety net to provide for basic needs and to protect families during hard times.

### Arizona's Priorities

If the state is serious about improving quality of life for all citizens, certain issues need to be placed at the top of the public policy agenda.

*Economic Development & Jobs*

- Our state and our nation need a set of policies that will raise wages, provide opportunities for the development of real job skills, expand tax benefits for the poor, and create higher quality, living wage jobs.

*Education*

- Quality education is central in a strategy to reduce poverty. Arizona must strengthen the foundations for increasing academic achievement, improving graduation rates, and encouraging lifelong learning.

*Prevention and Early Intervention*

- Often a crisis will happen before a family in poverty will seek help. Many times, the cost of dealing with a family's situation may be more problematic than had the family sought assistance sooner. There are a number of strategies the state and communities can take to be more proactive than reactive.

*Sound Fiscal Policy*

- Because of the downturn in the economy, more families are seeking help. ACAA believes that we cannot morally cut services to our poorest and most vulnerable citizens and must continue to promote their general welfare. The state must find ways to increase revenue to pay for vital services.

*Building Wealth*

- Arizona, along with the rest of the nation, needs to address the distressing financial condition of low-income families and promote measures that could be taken to help them save and build wealth. As they accumulate assets, both individuals and communities acquire invaluable benefits.

*Safety Net*

- While Arizona's welfare rolls have been dramatically reduced over the last few years, thousands of "hard to serve" families still remain. Multiple barriers faced by these families and other issues preclude many from ever reaching full self-sufficiency. Arizona needs a strong, comprehensive system of social and income supports to strengthen and support all families across Arizona through good times and bad.

## Policy Recommendations

If we do not sufficiently increase disposable income for working people, we must have programs and services to provide essential supports to families in need. That is why ACAA is calling for the following recommendations to provide that support.

*Food and Nutrition*

- More than 173,000 Arizonans go hungry every week. To expand opportunities for low-income families to obtain food and basic nutrition, efforts should focus on the following: 1) Enhancing and improving Arizona's current nutrition assistance programs, 2) Maintaining and expanding state resources to support private hunger relief efforts, and 3) Engaging all sectors of the food system to help solve Arizona's hunger problem.

*Affordable Housing*

- To assist in the elimination of poverty in Arizona, affordable housing efforts should focus on two areas, 1) Continuing the use of various federal and state resources to subsidize the cost of housing for lower-income households, and 2) Promoting efforts at the local government level to reduce the cost of housing through innovative design and the reduction of barriers.

*Child Care*

- To expand opportunities for low-income parents to receive quality, affordable care for their children while they work, ACAA recommends 1) Expanding existing publicly supported child care programs, 2) Promoting the expansion of privately sponsored affordable child care, and 3) Ensuring quality and accessibility for all.

*Health Care*

- To assist more low-income Arizonans to improve their chances for affordable, quality health care, ACAA recommends 1) Expanding existing public health care programs, 2) Providing incentives and assurances to increase insurance coverage, and 3) Supporting community health clinics.

*Transportation*

- To expand transportation opportunities for low-income families ACAA recommends 1) Understanding the need and gaps, 2) Increasing the use of public resources that offer an array of transportation services, and 3) Creatively encouraging the development of local services through community partnerships and coordination.

*Jobs and Income*

- To expand opportunities for low-income individuals to improve their wages, ACAA recommends 1) Providing adequate employment assistance in finding and securing a job, 2) Expanding opportunities for training and skill development, and 3) Ensuring that adequate wage supports are in place to help lift families out of poverty.

## Call to Action

An effectively implemented anti-poverty strategy for children and families will assist in providing an economic and social environment where many more Arizonans can enjoy a higher quality of life. Substantive action will require adequate funding and forward-thinking long-term strategies. It is time for the focus in Arizona to shift beyond process to results.

# What Is Poverty?

## Federal Definition

The basic concepts and assumptions used to measure poverty in the United States have not changed for over 30 years. Given increased understanding about poverty and its causes, many question whether this measure is still appropriate for the 21st Century.

### The Official Measure of Poverty

There are two slightly different versions of the federal poverty measure:

- The poverty thresholds, and
- The poverty guidelines.

The poverty thresholds are the original version of the federal poverty measure and are updated each year by the U.S. Census Bureau. The thresholds are used mainly for statistical purposes — for instance, preparing estimates of the number of Americans in poverty each year. The Census Bureau uses a set of money income thresholds that vary by family size and composition to determine who is poor. If a family's total income is less than that family's threshold, then that family, and every individual in it, is considered poor. The official poverty thresholds do not vary geographically, but they are updated annually for inflation using the Consumer Price Index.

The poverty guidelines are the other version of the federal poverty measure. They are issued each year in the *Federal Register* by the U.S. Department of Health and Human Services (HHS). The guidelines are a simplification of the poverty thresholds for administrative purposes — for instance, determining financial eligibility for certain federal programs. The poverty guidelines are sometimes loosely referred to as the "federal poverty level." These HHS guidelines consist of a threshold level of income based on family size. The amount of income defined as "poor" at each level is calculated based on the cost of food consumption by multiplying the cost of food by three. This assumption was originally developed thirty years ago when the belief was that if a family could not meet its food cost needs, it would be considered poor.

The U.S. Department of Health and Human Services poverty guidelines below are for 1999, the year the Census data was collected, and for 2003, which will dictate assistance programs for the year this report was written.

| HHS Poverty Guidelines - 48 Contiguous States | | | | | |
|---|---|---|---|---|---|
| Size of family | 1999 | | 2003 | | % Change |
| | Annual | Monthly | Annual | Monthly | |
| 1 | $8,240 | 687 | $8,980 | 748 | 9.0% |
| 2 | $11,060 | 922 | $12,120 | 1,010 | 9.6% |
| 3 | $13,880 | 1,157 | $15,260 | 1,272 | 9.9% |
| 4 | $16,700 | 1,392 | $18,400 | 1,533 | 10.2% |
| 5 | $19,520 | 1,627 | $21,540 | 1,795 | 10.3% |
| 6 | $22,340 | 1,862 | $24,680 | 2,057 | 10.5% |
| 7 | $25,160 | 2,097 | $27,820 | 2,318 | 10.6% |
| 8 | $27,980 | 2,332 | $30,960 | 2,580 | 10.7% |
| For each additional person, add | $2,820 | | $3,140 | | |

During the early 1990's, the National Academy of Sciences appointed an independent panel to undertake an in-depth review of how poverty is measured in the United States. The Panel on Poverty and Family Assistance was asked to address concepts, measurement methods and information needs for a poverty measure, but not necessarily to specify a new poverty "line."

On the basis of their deliberations, the Panel recommended a new official poverty measure. In particular, it was believed that the current poverty measure had weaknesses in the implementation of the threshold concept and in the definition of family resources. Additionally, changing social and economic conditions over the last 30 years have made these weaknesses more obvious. As a result, the Panel felt the current measure does not accurately reflect differences in poverty over time and across population groups and therefore has recommended a new measure for the future.

More specifically, the Panel on Poverty and Family Assistance identified the following weaknesses in the current poverty measure. ***It does not account for:***

1) The different needs of families in which parents work or do not work outside the home.
2) Differences in health status and insurance coverage.
3) Variations across geographic areas.
4) Changing demographic and family characteristics.
5) Rising living standards.
6) The effects of important government policy initiatives that may significantly alter families' disposable income.

The Panel recognized it was not easy to recommend an alternative measure, but recommended changes based on the best scientific evidence available, their best judgment and three additional criteria. First, the poverty measure should be understood and accepted by the public. Second, the measure should be statistically defensible and consistent. Third, the measure should be feasible to implement with readily available data. More importantly, the Panel recommended that the measure should comprise a budget for the three basic categories of food, clothing, shelter (including utilities), and a small additional amount to allow for other needs (e.g. household supplies and personal care).

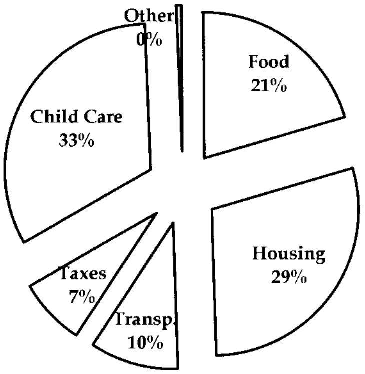
Despite the Panel's recommendations and the voices of others with similar concerns, the federal government has taken no action to adopt new poverty measures to date. In fact, the Census Bureau has recognized the data's limitations and points out that while the thresholds in some sense represent families' needs, the official poverty measure should be interpreted as a statistical yardstick rather than as a complete description of what families need to live.

This Poverty Report contains the latest figures related to poverty in Arizona using the 2000 Census numbers. Given the fact that the current official numbers remain just a statistical yardstick, ACAA also makes an attempt to more fully present what is truly happening with the poor in Arizona by introducing other local research which gets to the real public policy debate - that of self sufficiency.

## Basic Needs

To fully understand the struggle of lower-income families, we need to understand Arizona's cost of living. To illustrate, the Arizona Children's Action Alliance profiles what the typical monthly expenses for a married couple with two children (ages 3 and 7) would be in Arizona. Each parent works full time and earns $7.75 per hour for an annual income of approximately $32,000 ($2,667 per month). This income places this family at about 175 percent of the federal poverty level, therefore making them not eligible for food stamps or child care subsidies. This family's monthly budget would be as follows:

- Child care: $887
- Food: $552
- Taxes: $195
- Housing: $778
- Transportation: $263
- Other: $12




Source: Children's Action Alliance 2003.

With only $12 left over in the other category, not much remains. This represents what would be left over for health care costs, phone, clothing, personal items, school supplies, haircuts... you get the picture. Even if a parent's employer provided health coverage, this family would still pay approximately $348 per month for their portion. This would be impossible with only $12 remaining.

### Self Sufficiency

A recent analysis commissioned by Wider Opportunities for Women and performed by researchers at the University of Washington demonstrates what it takes for Arizona families to make ends meet on their own without public or other kinds of assistance. A report prepared for the Arizona Children's Action Alliance, *The Self-Sufficiency Standard for Arizona* (March 2002), details the wages necessary for all Arizona families to live based on the cost of living in the different communities of Arizona.

The costs include expenses necessary for working families and also take into account both the Earned Income Tax Credit and the Child Care Tax Credit by counting them as income, thus subtracting them from the monthly budget. It is based on a budget that allows solely for basic needs with no extras such as restaurant meals, retirement savings, college tuition, and emergency expenses.

***This ACAA Poverty Report provides examples of the self sufficiency standard for each of Arizona's counties in the County Profile section.*** A careful examination of each clearly shows the challenge that many lower-income working families have providing for their basic needs. These profiles point to a very real need to shore up supports for working families in Arizona.

Although services do exist to assist the poor, budget cuts and population increases have reduced the capacity to serve many individuals in need. But the need just for the basics continues to grow. One indicator is the number of people seeking food assistance. According to the Association of Arizona Food Banks, approximately 850,000 people sought assistance in 1999 compared to 465,000 people in 1991.

We know that many families in Arizona do not get the support that they need. A recent survey of more than 700 clients using food banks in Arizona found that only 25 percent received food stamps, even though it appeared that 75 percent were eligible. Less than 25 percent of families leaving welfare use child care subsidies according to data from the Arizona Department of Economic Security. The 2000 Census reports that only 54 percent of Arizonans eligible for food stamps actually participate in the program (more than 300,000 people who qualify go without this benefit). The complicated eligibility and application process and the stigma and loss of dignity connected to the process are cited as major contributors for the low participation rate.

## Working Poor

Understanding families in Arizona who are below the poverty level is only part of the story. While more families are working, many are still struggling to make ends meet as the report, *The Self-Sufficiency Standard for Arizona* (Arizona Children's Action Alliance), describes in much detail.

While there is an official poverty line, many question whether that is truly reflective of all persons who are struggling to make ends meet, particularly those working full time. For example, many people would find it hard to provide for themselves and their children on an annual salary of $23,000 a year—yet this is over 50 percent more than the official poverty threshold for a single-parent with two children ($15,260 in 2003). Furthermore, the official poverty threshold does not account for costs associated with working, such as transportation, child care, and other work-related expenses. *The Self Sufficiency Standard for Arizona* report calculates that it would take $40,153 for a single parent with two children in Maricopa County to meet basic needs, over 250 percent above the official poverty level.

*Self Sufficiency Compared to the Poverty Level*

| Annual Self Sufficiency Wage | Adult | Adult + Infant Preschooler | 2 Adults + Infant Preschooler |
|---|---|---|---|
| Apache | $14,168 | $32,206 | $38,947 |
| Cochise | $14,168 | $31,699 | $38,555 |
| Coconino | $19,235 | $39,140 | $45,958 |
| Gila | $14,175 | $33,204 | $39,953 |
| Graham | $14,168 | $31,699 | $38,555 |
| Greenlee | $14,168 | $31,699 | $38,555 |
| La Paz | $14,296 | $31,238 | $38,373 |
| Maricopa | $18,442 | $40,153 | $47,495 |
| Mohave | $14,175 | $36,174 | $43,053 |
| Navajo | $14,168 | $32,206 | $38,947 |
| Pima | $16,098 | $36,166 | $43,440 |
| Pinal | $17,213 | $36,818 | $44,060 |
| Santa Cruz | $14,761 | $32,300 | $39,278 |
| Yavapai | $14,552 | $33,276 | $40,023 |
| Yuma | $15,350 | $33,410 | $40,308 |
| 2003 HHS 100% Poverty Guideline | $8,980 | $15,260 | $18,400 |
| **2003 HHS 200% Poverty Guideline** | **$17,960** | **$30,520** | **$36,800** |

Source: Arizona Children's Action Alliance, "The Self-Sufficiency Standard for Arizona", 2002 and U.S. Department of Health and Human Services.

But who are the working poor? There is no "official" definition. To attempt to understand its extent, ACAA uses the following: families over the poverty threshold, but making below 200 percent of the poverty line, per the Census.

Why this definition? *The Self-Sufficiency Standard for Arizona* report demonstrates that this is a conservative estimate of all who potentially could be defined as working poor. Even families making 200 percent of the poverty level are still below the estimated self-sufficiency standards. Setting the lower limit at the poverty level was used principally because of data limitations, but it is still reasonable when you consider that a full-time employed single individual making the minimum wage ($10,712) is slightly above the poverty line ($8,980).

*Estimated "Working Poor" in Arizona*

| Number of Persons Between 100%-199% of Poverty Level (% of population) | 1989 | 1999 | % Change |
|---|---|---|---|
| Apache | 14,578 (24.0%) | 18,629 (27.3%) | 27.8% |
| Cochise | 23,020 (25.0%) | 25,852 (23.1%) | 12.3% |
| Coconino | 20,158 (22.4%) | 23,698 (21.0%) | 17.6% |
| Gila | 10,639 (26.9%) | 12,888 (25.6%) | 21.1% |
| Graham | 7,247 (29.7%) | 8,355 (27.6%) | 15.3% |
| Greenlee | 1,774 (22.2%) | 1,728 (20.4%) | -2.6% |
| La Paz | 4,109 (29.9%) | 5,593 (28.9%) | 36.1% |
| Maricopa | 369,791 (17.7%) | 528,451 (17.5%) | 42.9% |
| Mohave | 21,876 (23.7%) | 37,993 (24.8%) | 73.7% |
| Navajo | 19,530 (25.6%) | 24,542 (25.8%) | 25.7% |
| Pima | 134,655 (20.7%) | 168,231 (20.4%) | 24.9% |
| Pinal | 28,415 (25.7%) | 36,919 (22.4%) | 29.9% |
| Santa Cruz | 8,564 (29.0%) | 11,396 (29.8%) | 33.1% |
| Yavapai | 25,847 (24.5%) | 36,170 (22.1%) | 39.9% |
| Yuma | 27,906 (27.0%) | 41,762 (27.1%) | 49.7% |
| **State of Arizona** | **718,109 (20.0%)** | **982,207 (19.6%)** | **36.8%** |
| United States | 43,166,432 (17.8%) | 47,294,79 7 (17.3%) | 9.6% |

Source: U.S. Census.

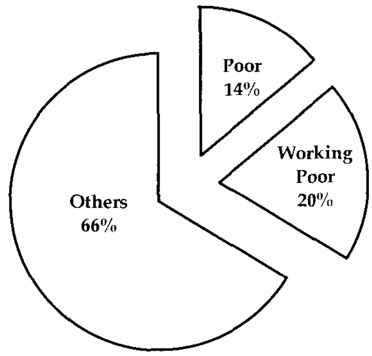
Over the last ten years, the number of working poor persons grew 36.8 percent from 718,109 in 1989 to 982,207 in 1999. When you add this to the number of people living below the poverty level in 1999 (698,669), ***there are close to 1.7 million people who are struggling to make ends meet in Arizona, one-third of Arizona's total population.***

*Number of Persons Struggling to Make Ends Meet in Arizona*

| Total # of Persons Between 0% and 199% of Poverty Level (% of population) | 1989 | 1999 | % Change |
|---|---|---|---|
| Apache | 43,218 (71.0%) | 44,427 (65.1%) | 2.8% |
| Cochise | 41,741 (45.3%) | 45,624 (40.8%) | 9.3% |
| Coconino | 40,963 (45.4%) | 44,307 (39.2%) | 8.2% |
| Gila | 17,873 (45.3%) | 21,640 (43.1%) | 21.1% |
| Graham | 13,770 (56.3%) | 15,307 (50.6%) | 11.2% |
| Greenlee | 2,784 (34.9%) | 2,570 (30.3%) | -7.7% |
| La Paz | 7,984 (58.1%) | 9,391 (48.4%) | 17.6% |
| Maricopa | 627,150 (30.0%) | 884,119 (29.2%) | 41.0% |
| Mohave | 34,925 (37.9%) | 59,245 (38.7%) | 69.6% |
| Navajo | 45,988 (60.3%) | 52,596 (55.3%) | 14.4% |
| Pima | 246,535 (37.9%) | 289,009 (35.1%) | 17.2% |
| Pinal | 54,567 (49.3%) | 64,735 (39.4%) | 18.6% |
| Santa Cruz | 16,360 (55.4%) | 20,752 (54.3%) | 26.8% |
| Yavapai | 40,155 (38.1%) | 55,722 (34.0%) | 38.8% |
| Yuma | 48,458 (46.9%) | 71,432 (46.3%) | 47.4% |
| **State of Arizona** | **1,282,471 (35.8%)** | **1,680,876 (33.5%)** | 31.1% |
| United States | 74,909,296 (31.0%) | 81,194,609 (29.6%) | 8.4% |

Source: U.S. Census.

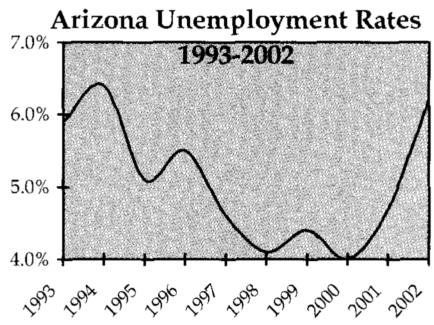
*The Poor and Working Poor in Arizona - 1999*




Poor = 0-99% of the poverty line.
Working Poor = 100-199% of the poverty line.
Others = Over 200% of the poverty line.

## Changing Conditions

At the time the 2000 Census was taken, Arizona enjoyed the benefits of a thriving economy. Since then, Arizona, along with the rest of the nation, has experienced an economic recession. As the graph below illustrates, Arizona's unemployment rate has climbed back to the levels of ten years ago.




Source: Arizona Department of Economic Security.

Despite the value of Census data to portray the status of poverty, it is merely a "snapshot" at the time it was taken. A more accurate picture of the conditions of poverty today may be better represented by recent data on the economy and the increasing numbers of people requesting assistance that many of the community action agencies are experiencing. When you combine this, along with the research on self-sufficiency presented by the Arizona Children's Action Alliance, most would agree that poverty is being experienced in so many more ways, than what the Census numbers reveal.

# Extent of Poverty in Arizona

# State of Arizona

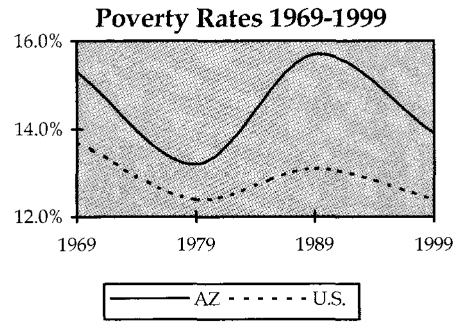
The 2000 Census revealed 5,130,632 people living in State of Arizona, a 40.0 percent increase from the 1990 Census of 3,665,228. In 1999, Arizona had nearly 14 percent of its population or 698,669 people living below the poverty level. While the overall percentage of people in poverty decreased over the last ten years, the number of people in poverty did not. In fact, Arizona experienced a 23.8 percent increase since 1989 when 564,362 people or 15.7 percent of the state's population lived in poverty. 1999 poverty rates in Arizona's counties ranged from a high of 37.8 percent in Apache County to a low of 9.9 percent in Greenlee County. The rate for all Arizona Indian reservations was 42.1 percent.

### Poverty In Arizona

| Number of Persons Below Poverty Level (Poverty Rate) | 1989 | 1999 | % Change |
|---|---|---|---|
| Apache County | 28,640 (47.1%) | 25,798 (37.8%) | -9.9% |
| Cochise County | 18,721 (20.3%) | 19,772 (17.7%) | 5.6% |
| Coconino County | 20,805 (23.1%) | 20,609 (18.2%) | -0.9% |
| Gila County | 7,234 (18.3%) | 8,752 (17.4%) | 21.0% |
| Graham County | 6,523 (26.7%) | 6,952 (23.0%) | 6.6% |
| Greenlee County | 1,010 (12.6%) | 842 (9.9%) | -16.6% |
| La Paz County | 3,875 (28.2%) | 3,798 (19.6%) | -2.0% |
| Maricopa County | 257,359 (12.3%) | 355,668 (11.7%) | 38.2% |
| Mohave County | 13,049 (14.2%) | 21,252 (13.9%) | 21.0% |
| Navajo County | 26,458 (34.7%) | 28,054 (29.5%) | 6.0% |
| Pima County | 111,880 (17.2%) | 120,778 (14.7%) | 8.0% |
| Pinal County | 26,152 (23.6%) | 27,816 (16.9%) | 6.4% |
| Santa Cruz County | 7,796 (26.4%) | 9,356 (24.5%) | 20.0% |
| Yavapai County | 14,308 (13.6%) | 19,552 (11.9%) | 36.7% |
| Yuma County | 20,552 (19.9%) | 29,670 (19.2%) | 44.4% |
| All Reservations | 81,609 (53.7%) | 74,388 (42.1%) | -8.8% |
| State of Arizona | 564,362 (15.7%) | 698,669 (13.9%) | 23.8% |

Source: U.S. Census and Research Advisory Services, Inc.

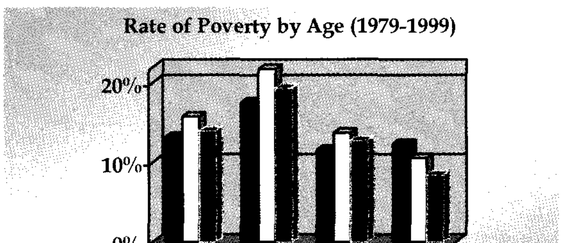
An examination of poverty rates over the last thirty years shows how the rate dropped during the 1970's and 1990's, and rose during the 1980's in the state of Arizona and nation as well. In 1999, Arizona's poverty rate at 13.9 percent continues to be higher than the national average of 12.4 percent. In 1999, thirty-six states had a poverty rate lower than Arizona.




## Poverty and Age

In 1999, among all age categories examined, children under 18 years of age experienced the highest rate of poverty at 19.3 percent, while those 65 and older had the lowest rate at 8.4 percent. Over the last ten years, the rate of poverty has decreased for all age groups. The 1999 rates are still higher than twenty years ago for all age groups except for those over 65 who experienced an improvement from 12.3 percent in 1979 to 8.4 percent in 1999.

An examination of national poverty rates reveal that while Arizona's was higher than the U.S. average in 1999 among children and the working age population (18-64), the senior citizen poverty rate was lower (8.4 percent in Arizona compared to 9.9 percent nationally).




| | All | <18 | 18-64 | 65+ |
|---|---|---|---|---|
| 1979 | 13.2% | 17.5% | 11.5% | 12.3% |
| 1989 | 15.7% | 21.7% | 13.7% | 10.5% |
| 1999 | 13.9% | 19.3% | 12.7% | 8.4% |

Source: U.S Census.

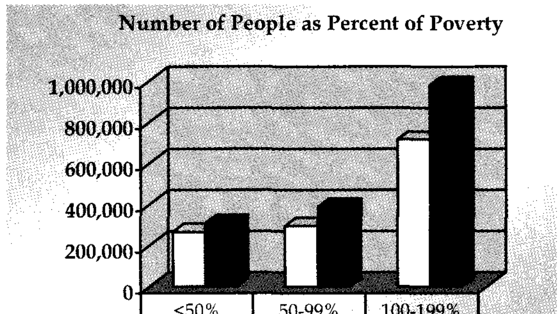
The 2000 Census revealed that one out of every five children in Arizona lived in poverty. The state of Arizona had the 13th highest percentage of children in poverty in the United States in 2000. Although the child poverty rate has decreased from 22 percent in 1990 to 19.3 percent in 2000, the number of children living in poverty has increased from 215,846 to 257,710, an increase of 19.4 percent or 41,864.

The 2000 Census reveals other indicators to show the extent of poverty for Arizona's children:

- Over 44 percent or 591,601 of Arizona's children are living below 200 percent of the poverty line.
- Over 29 percent of all Arizona children (400,675) live in high-poverty neighborhoods where more than 20 percent of the population is below poverty.

## Poverty and Income Levels

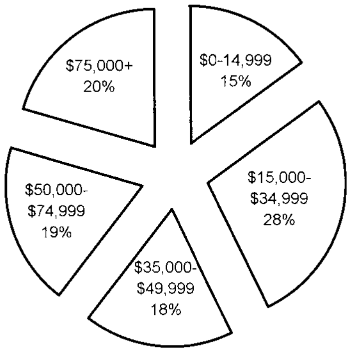
Examination of the income to poverty ratio reveals that 309,025 people or 44.2 percent of those below the poverty rate in the State of Arizona were ***very poor***, with incomes less than 50 percent of the poverty threshold. Another 982,207 people had incomes equal to or above the poverty level, but less than 199 percent (ACAA's definition of "working poor"). ***In total, there are close to 1.7 million people in Arizona who are poor or "working poor," one-third of the state's total population.***




| | <50% | 50-99% | 100-199% |
|---|---|---|---|
| 1989 | 267,591 | 296,771 | 718,109 |
| 1999 | 309,025 | 389,644 | 982,207 |

Source: U.S Census.

*1999 Household Income Distribution - State of Arizona*




Source: U.S Census. Note: The median household income in Arizona was $40,558 in 1999 compared to $27,540 in 1989 (47.3 percent increase).

The median household income for Arizona in 1999 was 3.4 percent less than the national average. The average 1999 per capita personal income in Arizona was $23,937, 14 percent below the national average of $27,880. Compared to all the states, Arizona ranked 37th in per capita personal income.

The following shows how counties compare to the nation's per capita personal income.

| Per Capita Personal Income As a Percent of the U.S. | 1999 |
|---|---|
| Apache | 47% |
| Cochise | 65% |
| Coconino | 75% |
| Gila | 64% |
| Graham | 49% |
| Greenlee | 71% |
| La Paz | 63% |
| Maricopa | 96% |
| Mohave | 64% |
| Navajo | 50% |
| Pima | 82% |
| Pinal | 52% |
| Santa Cruz | 60% |
| Yavapai | 71% |
| Yuma | 57% |
| All Metropolitan Areas | 89% |
| All Nonmetropolitan Areas | 61% |
| State of Arizona | 85% |

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Despite the tremendous overall economic growth of the 1980's and 1990's, the gaps between high-income and low- and middle-income families are historically wide, according to a recent study by the Center on Budget and Policy Priorities and the Economic Policy Institute. According to the study, Arizona is among 10 states with the largest gap between the rich and the poor. From 1998 to 2000, the richest fifth of Arizona households earned an average of $135,114, about ten times the $13,453 earned by the poorest fifth. The national average was also 10 times the poorest fifth, but Arizona was higher than 41 other states. The 10 states with the largest income gap ratios:

*The Gap Between the Rich and the Poor*

| State | Average Income of Bottom 20% Families | Average Income of Top 20% Families | Top-to-Bottom Ratio |
|---|---|---|---|
| 1. New York | $12,639 | $161,858 | 12.8 |
| 2. Louisiana | 10,130 | 117,374 | 11.6 |
| 3. Texas | 12,568 | 138,001 | 11.0 |
| 4. California | 14,053 | 154,304 | 11.0 |
| 5. Massachusetts | 15,740 | 165,729 | 10.5 |
| 6. Tennessee | 13,078 | 137,524 | 10.5 |
| 7. Kentucky | 12,602 | 130,825 | 10.4 |
| 8. Alabama | 11,781 | 120,473 | 10.2 |
| 9. Arizona | 13,453 | 135,114 | 10.0 |
| 10. North Carolina | 13,110 | 131,598 | 10.0 |
| **U.S. AVERAGE** | **$14,618** | **$145,985** | **10.0** |

Source: Economic Policy Institute using U.S. Census figures.

In fact, Arizona's income gap has widened significantly during the past two decades. The average income for Arizona's poorest fifth fell by nearly 7 percent in inflation-adjusted dollars from 1978-1980 to 1998-2000, compared with a 7 percent gain nationally. Across the board, among the poor, middle class and wealthy, Arizonans ranked lower than the nation in average income.

## Poverty and Families

In 1999, the poverty rate among all families with children under 18 years of age living in the State of Arizona was 15.2 percent. The rates for families with children headed by single females were 32.1 percent and even higher with younger children (less than 5 years) at 43.7 percent. Married couple families with children experienced a much lower rate at 9.6 percent.

*Poverty and Families*

| Number Below Poverty Level (Poverty Rate) | 1979 | 1989 | 1999 | % Change '79-'99 |
|---|---|---|---|---|
| All | 67,577 (9.5%) | 108,662 (11.4%) | 123,318 (9.9%) | 89.9% |
| With children under 18 | 49,395 (13.2%) | 84,870 (17.5%) | 102,378 (15.2%) | 107.3% |
| Female-headed with children under 18 | 20,169 (34.5%) | 39,910 (40.0%) | 46,150 (32.1%) | 128.8% |
| Female headed with children under 5* | 10,508 (48.3%) | 21,203 (56.4%) | 23,205 (43.7%) | 120.8% |

*1979 numbers include 5 year olds. Source: U.S. Census.

## Poverty and Race

Among racial/ethnic groups, American Indians experienced the highest poverty rate at 36 percent and Whites had the lowest at 10.1 percent. American Indians were also represented at a disproportionately higher rate among those in poverty than in the overall population. All races in the State of Arizona saw an improvement in poverty rates from 1989.

*Poverty and Race*

| Race Ethnicity | % of Total Population 1999 | % of Poverty Population 1999 | Poverty Rate by Race 1999 | Poverty Rate by Race 1989 |
|---|---|---|---|---|
| White | 75.5% | 55.9% | 10.1% | 11.3% |
| Black | 3.1% | 4.1% | 18.1% | 27.5% |
| American Indian | 5.0% | 13.2% | 36.0% | 49.2% |
| Asian/PI | 1.9% | 1.7% | 12.1% | 16.2% |
| Other | 14.5% | 25.1% | 23.6% | 30.8% |
| Hispanic Origin* | 25.3% | 44.4% | 24.0% | 28.3% |

NOTE: Categories include those identifying themselves as Hispanic.
*Those of Hispanic Origin may be of any race. Source: U.S. Census.

## Poverty on Indian Reservations

Arizona is one of the few states with a large American Indian population. Five percent or 255,879 people in Arizona reported themselves as American Indian. Nearly 177,000 people lived on reservation lands, which incorporate over one-fourth of the state's land mass. The 2000 Census surveyed 20 reservations in Arizona. Poverty rates ranged from a low of 6.6 percent to a high of 94.4 percent. Poverty rates among people living on reservations were higher than the non-reservation population (42.1 percent and 12.9 percent respectively).

*Poverty on Reservations*

| Number of Persons Below Poverty Level (Poverty Rate) | 1989 | 1999 | % Change (Number of Persons) |
|---|---|---|---|
| Camp Verde Yavapai Apache | 381 (62.6%) | 256 (33.4%) | -32.8% |
| Cocopah | 319 (55.2%) | 330 (31.4%) | 3.4% |
| Colorado River | 1,914 (28.2%) | 1,590 (22.2%) | -16.9% |
| Fort Apache | 5,273 (50.8%) | 5,949 (48.8%) | 12.8% |
| Fort McDowell | 177 (28.2%) | 144 (17.4%) | -18.6% |
| Fort Mohave | 213 (49.8%) | 133 (18.5%) | -37.6% |
| Fort Yuma | 16 (100.0%) | 34 (94.4%) | 112.5% |
| Gila River | 5,975 (63.0%) | 5,625 (52.1%) | -5.9% |
| Havasupai | 130 (30.0%) | 223 (50.2%) | 71.5% |
| Hopi | 3,456 (48.2%) | 2,808 (41.6%) | -18.8% |
| Hualapai | 446 (54.7%) | 462 (35.8%) | 3.6% |
| Kaibab | 33 (27.5%) | 75 (31.6%) | 127.3% |
| Maricopa (Ak-Chin) | 198 (44.6%) | 198 (27.0%) | 0.0% |
| Navajo | 48,968 (54.4%) | 43,522 (41.9%) | -11.1% |
| Papago (Tohono O'Odham) | 5,517 (65.1%) | 4,929 (46.4%) | -10.7% |
| Pasqua Yaqui | 1,474 (62.9%) | 1,435 (43.8%) | -2.6% |
| Salt River Pima Maricopa | 1,896 (40.2%) | 1,923 (30.5%) | 1.4% |
| San Carlos | 4,447 (62.0%) | 4,724 (50.8%) | 6.2% |
| Tonto Apache | 13 (12.6%) | 16 (9.8%) | 23.1% |
| Yavapai-Prescott | 34 (17.9%) | 12 (6.6%) | -64.7% |
| All Reservations | 81,609 (53.7%) | 74,388 (42.1%) | -8.8% |
| State of Arizona | 564,362 (15.7%) | 698,669 (13.9%) | 23.8% |

Source: U.S. Census and Research Advisory Services, Inc.

Between 1989 and 1999, the number of people below the poverty level for those living on reservations dropped 8.8 percent. While some continue to see increases in the number of people in poverty, others saw significant improvements. This was not just isolated to tribes with gaming. The Hopi and Navajo Nations experienced an 18.8 percent and 11.1 percent decrease respectively.

## Public Assistance

According to the 2000 Census, 54,645 households or 2.9 percent of all households in the State of Arizona received public assistance. Public assistance or welfare payments include cash public assistance payments low-income people receive, such as Aid To Families With Dependent Children (AFDC), Temporary Assistance To Needy Families (TANF), general assistance, and emergency assistance. The mean or average amount of annual public assistance income for 1999 was $2,596, a decrease from the 1989 average of $3,711 and $3,865 in 1979.

Participation levels in the Food Stamp and Temporary Assistance to Needy Families (TANF) programs serve as indicators of the extent of poverty in the State of Arizona. In April of 2000, 256,006 people or 5 percent of the population received food stamps. At the same time, 32,927 or 2.5 percent of families were enrolled in TANF.

| Public Assistance (PA) | Base Year | 1990 | 2000 | % Change 1990-2000 | % Change Base Year-2000 |
|---|---|---|---|---|---|
| Households receiving PA (1980) | 50,044 | 84,132 | 54,645 | -35.0% | 9.2% |
| Persons Food Stamps (1985*) | 208,589 | 322,735 | 256,006 | -20.7% | 22.7% |
| Families AFDC-TANF (1985*) | 25,803 | 44,278 | 32,927 | -25.6% | 27.6% |

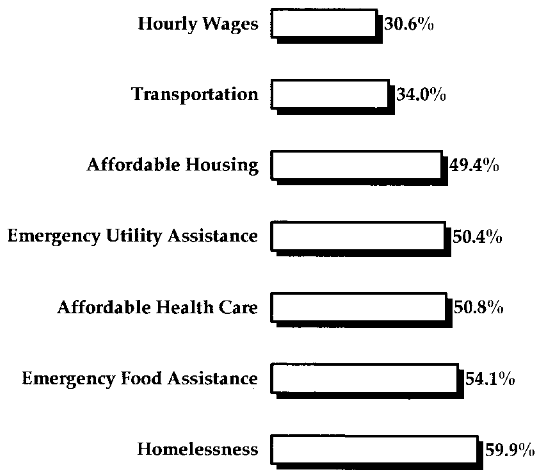
NOTE: Base year in parentheses. *April figures. TANF is the new name for Aid to Families with Dependent Children (AFDC). Source U.S. Census and Arizona Department of Economic Security.

These numbers are particularly telling when you compare them to the people who could benefit from the assistance these programs provide. As presented earlier, ACAA estimates that there are close to 1.7 million people who are struggling to make ends meet in Arizona, one-third of Arizona's total population. The demand for assistance clearly exceeds Arizona's capacity to serve the need.

# Perceptions from the Community

Community meetings were essential to the creation of the first two POVERTY IN ARIZONA volumes. To continue this process, between 2000 and 2002, ACAA held two series of twenty-nine community meetings around the state to gather thoughts and opinions about Arizona's poor and to provide suggestions to help end the cycle of poverty. Meetings were held in every county in Arizona. Participants included local elected officials, private citizens, business owners, and low-income persons.

Over 1,100 people participated and were surveyed on issues that affect poverty in Arizona. The chart below shows the percentage of participants who believe conditions have gotten ***worse*** in the following areas over the last ten years:




NOTE: On average, 10 to 20 percent of respondents had no opinion. Results by county are presented in each county profile.

In addition to the survey, ACAA sought public comments at each of the community meetings. Participants from all corners of the state, both urban and rural, cited low wages as a top concern. Communities agreed that although wages have increased over the last 10 years, they have not increased enough to keep up with the cost of living. The primary factor in the cost of living increase is housing, both the rising cost and the limited availability of affordable housing throughout most of the state. Transportation services have shown some improvement, according to participants from urban areas where increased services such as extended hours and increased bus routes are evident. However, rural areas have seen no improvement in transportation services, and have experienced diminished services due to funding cuts.

Access to benefits and the availability of assistance is a challenge to Arizona's low income families. Participants report that the ability to access government benefits for which they are eligible differs depending on the benefit in question. Many believe that healthcare benefits improved with the expansion of AHCCCS and KidsCare but that other benefits are more difficult to obtain. The biggest concerns about healthcare are affordable prescription medicine, and available doctors who accept AHCCCS patients.

The majority of respondents to the survey believe that homelessness, hunger and requests for emergency assistance have increased. Numbers from state and private agencies support this public opinion.

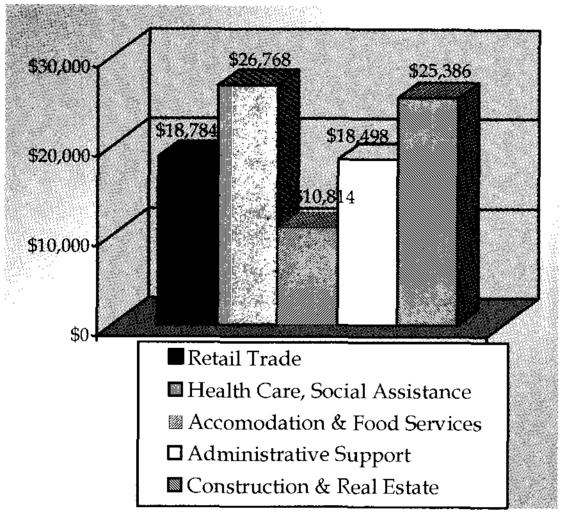
Most participants agreed that programs such as Head Start, school lunches and KidsCare were beneficial and merited increased funding. Participants expressed an overwhelming desire for more job training and education, due to the huge concern for economic development and job creation with better wages.

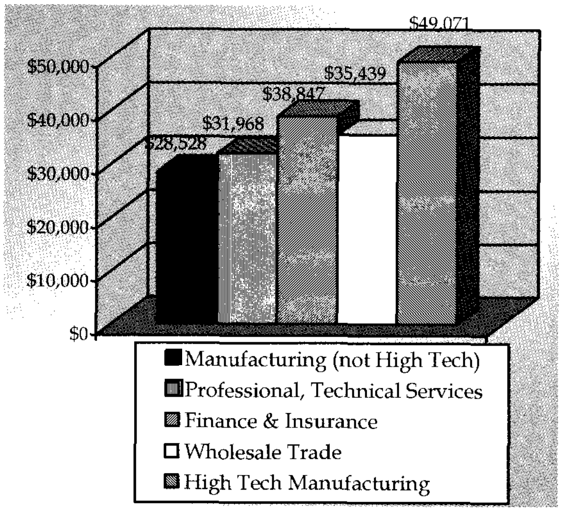
# Contributing Factors To Poverty

## Substandard Wages

Low wages continue to be the primary challenge for low-income families across the state. The Morrison Institute publication, *Five Shoes Waiting to Drop*, provides some insight on the challenge of a low wage legacy. It states, "Arizona always looks like an economic success because the state racks up impressive job growth numbers. Once again, however, this seemingly positive trend obscures a deeper, more worrisome concern: Most of these new jobs don't pay well." The charts below show how jobs in six of Arizona's ten industrial sectors have an average annual salary below the U.S. average of $29,245. These six sectors make up 63 percent of all Arizona jobs.

*Average Annual Wages by Industry*




Source: Morrison Institute and Center for Business Research, Arizona State University 2001

The report goes on to highlight Arizona Department of Economic Security job forecasts for 2008 that predict half of the state's workforce will be employed in either tourism or retail at an average wage of about $12 per hour, or less than $25,000 per year. Of the 25 fastest growing jobs in the state, most require no higher education and pay, on average, less than $11 per hour.

One emerging facet of the working poor that is especially prevalent in metropolitan areas of the state is the phenomenon of day labor. Literally thousands of workers in Arizona engage in day labor, which consists of temporary, primarily manual labor jobs. A 2002 study by the Center for Applied Sociology at the University of Arizona demonstrates that many day laborers receive wages far below the minimum wage. Because many are charged for equipment, transportation, and food, the actual average wage many day laborers receive is around $3.87 per hour.

Unfortunately, many low-income persons are ill equipped to compete for the good jobs. Government, business and providers must help them to overcome these obstacles. Employment assistance, job training and the promotion of life-long learning are keys to eliminating poverty. Quality education and training programs can substantially enhance an individual's chances of securing employment, earning a livable wage and offering room for advancement.

Not only are low-income families earning low wages, many are missing out on other sources of income that is rightfully theirs. A number of families with divorced parents are missing needed income to support their children due to poor child support collections. For the year 2000 in Arizona, over $1.5 billion in child support remained uncollected. While this represents all families, many low-income families are represented in this amount. In 2000, Arizona ranks 42nd of all the states on collections:

*Child Support Collection Rates - 2000*

| State | | # Children | Amount Due | Collection Rate |
|---|---|---|---|---|
| 1 | Iowa | 230,803 | $1,033,544,530 | 71% |
| 4 | Utah | 98,901 | $380,271,416 | 69% |
| 16 | Idaho | 79,766 | $321,155,275 | 55% |
| 17 | Colorado | 158,152 | $1,198,413,411 | 53% |
| 23 | Oregon | 275,093 | $1,029,546,497 | 46% |
| 26 | Wyoming | 35,530 | $239,443,985 | 45% |
| 35 | California | 2,388,343 | $15,773,984,622 | 39% |
| *42* | ***Arizona*** | ***283,842*** | ***$1,525,819,973*** | ***34%*** |
| 43 | Nevada | 143,422 | $641,849,978 | 34% |
| 47 | Texas | 1,298,459 | $7,887,487,252 | 29% |
| 50 | New Mexico | 150,845 | $411,385,785 | 18% |
| 51 | Illinois | 1,148,908 | $2,372,520,354 | 16% |
| United States | | 19,449,414 | $83,954,091,390 | 42% |

Source: Federal Office of Child Support Enforcement, U.S Department of Health and Human Services.

## Housing Affordability

According to the *2002 Arizona Affordable Housing Profile* (Arizona Housing Commission), affordable housing is defined as a household's ability to pay 28 percent or less of its income on housing (not including utilities). The "affordability gap" is the difference between the number of households within each income range and the number of housing units affordable to those households.

This "affordability gap" was identified during a housing inventory to help each community in Arizona address housing affordability issues. Using the 2000 Census, the total affordability gap in Arizona is estimated at 194,700 or about 10.3% of all households, including those on Native American reservations. This report concluded that the lowest income households have the most serious housing needs and have few alternatives to secure affordable housing. Left with no choice, many low-income families double up to share costs or pay more than they should for housing. The 2000 Census reports that 16.2 percent of homeowners and 30.0 percent of renters pay 35 percent or more of their income for housing.

### *Affordability Gap By County*

**(Excluding Native American Reservations)**

| County | Affordability Gap (Households) | Total Households (2000) | Gap as % of Total Households |
|---|---|---|---|
| Apache | 57 | 5,075 | 1.1% |
| Cochise | 1.945 | 43,893 | 4.4% |
| Coconino | 5,232 | 34,294 | 15.3% |
| Gila | 2,421 | 18,524 | 13.1% |
| Graham | 248 | 9,127 | 2.7% |
| Greenlee | - | 3,117 | 0.0% |
| La Paz | 835 | 5,937 | 14.1% |
| Maricopa | 108,547 | 1,130,029 | 9.6% |
| Mohave | 3,840 | 62,151 | 6.2% |
| Navajo | 1,614 | 18,897 | 8.5% |
| Pima | 25,142 | 328,980 | 7.6% |
| Pinal | 1,870 | 58,895 | 3.2% |
| Santa Cruz | 2,070 | 11,809 | 17.5% |
| Yavapai | 11,950 | 69,923 | 17.1% |
| Yuma | 5,336 | 53,428 | 10.0% |
| State (excl. Reservations) | 171,107 | 1,854,079 | 9.2% |
| Reservations | 23,654 | 41,703 | 56.7% |
| State of Arizona | 194,761 | 1,895,782 | 10.3% |

Source: Affordable Housing Profile, Arizona Housing Commission and Pollack & Company.

The National Low Income Housing Coalition recently published, *Rental Housing for America's Poor Families: Farther Out of Reach than Ever - 2002*. The study showed that the hourly wage necessary to afford a two-bedroom rental unit in the Phoenix/Mesa region is $15.50 an hour for a 40-hour week, or 301 percent of the minimum wage. A rental unit is considered affordable if it costs no more than 30 percent of the renter's income. Between 2000 and 2002, the wage required for two-bedroom housing increased by 22.8 percent; the federal minimum wage remains unchanged since 1997.

Home energy costs are also financially crippling low-income Arizona households. Arizona households with incomes of below 50% of the Federal Poverty Level pay 40% or more of their annual income simply for their home energy bills.

The lack of affordable housing is also one of the primary reasons people become homeless. Other reasons include the lack of livable wages; untreated mental illness and substance abuse disorders; or a variety of other unexpected circumstances. But regardless of the reason, the majority of people who are homeless share one thing in common -- they are poor.

In 2001, the Arizona Department of Economic Security (DES) reported 30,277 homeless persons on any given night in Arizona, a significant increase from the 6,700 - 14,100 reported in 1991. Forty-three percent of homeless people in Arizona were persons in families, sixty-two percent of them children, while fifty-seven percent were single individuals including homeless youth.

Although housing and support services for persons who are homeless continue to increase, they are still largely inadequate. In 2001, DES reported a total of 8,474 emergency shelter and transitional housing beds for the approximately 30,000 homeless persons, leaving roughly 21,500 people with no roof over their heads.

An increasing number of state and local governments are recognizing that housing assistance is critical to the success of welfare reform and lifting families out of poverty. How can housing subsidies help? By making housing more affordable, they help stabilize the lives of low-income families and reduce the likelihood of problems like evictions and utility cutoffs, which can make it difficult for families to secure and retain jobs. Housing subsidies also free up funds within families' budgets for work-related expenses.

The 2002 Congressional Millennial Housing Commission report noted the success of linking welfare reform to housing assistance. The report states, "There is evidence that combining incentives to work with job-promoting services for welfare recipients is more effective for those who receive housing assistance than for other welfare families. This may be because subsidized housing provides the stability that people need to find and hold jobs, allows families to devote more of their earnings to work-related expenses such as child care, and/or helps families move to areas with better job opportunities."

## Education Issues

A number of indicators show that people with the lowest incomes (bottom fifth of the population) are not likely to move out of poverty during the course of their lives. According to research (Beyond Welfare), only one out of ten individuals in the bottom income quintile have a chance to get out of poverty without appropriate education.

According to the 2000 Census, 7.8 percent of Arizona's adults 25 years and older had less than a 9th grade education and 81 percent were high school graduates or higher. Arizona lags behind the nation in the number of adults with a bachelor's degree or higher --23.5 percent to the nation's 24.4 percent. In fact, Arizona's ranking among the states dropped from 20th in 1991 to 37th in 2000 for residents with a bachelor's degree. The following shows education attainment levels by county:

*Educational Attainment*

| County | Population 25 Years and Over | | |
|---|---|---|---|
| | % With Less Than a 9th Grade Education | % High School Graduate or Higher | % With Bachelor's Degree or Higher |
| Apache | 18.8% | 63.6% | 11.3% |
| Cochise | 9.4% | 79.5% | 18.8% |
| Coconino | 7.0% | 83.8% | 29.9% |
| Gila | 6.4% | 78.2% | 13.9% |
| Graham | 8.8% | 75.6% | 11.8% |
| Greenlee | 6.3% | 82.5% | 12.2% |
| La Paz | 9.9% | 69.3% | 8.7% |
| Maricopa | 7.4% | 82.5% | 25.9% |
| Mohave | 5.0% | 77.5% | 9.9% |
| Navajo | 12.0% | 71.2% | 12.3% |
| Pima | 6.4% | 83.4% | 26.7% |
| Pinal | 10.6% | 72.7% | 11.9% |
| Santa Cruz | 20.4% | 60.7% | 15.2% |
| Yavapai | 4.6% | 84.7% | 21.1% |
| Yuma | 17.4% | 65.8% | 11.8% |
| ***State*** | *7.8%* | *81.0%* | *23.5%* |

Source: U.S. Census

An examination of the next generation of Arizonans does not bode well for the future. The Arizona Minority Education Policy Analysis Center's (AMEPAC) 2002 study, *"Dropping Out of Arizona's Schools"*, made the following observations:

- Almost one third of Arizona students who begin the 9th grade drop out prior to completing their high school graduation.
- A total of almost 200,000 children dropped out of Arizona's schools during the last six school years of the 1990's.
- The 1999-2000 annual drop out rate for Maricopa County (7.7%) was lower than the rate for the state as a whole (8.3% or 30,186 total dropouts).
- The lowest annual dropout rates (1999-2000) were in Cochise County (6%) and Greenlee County (3.1%), while the highest rates were found in Mohave County (10.8%), Apache County (9.8%) and Pinal County (9.9%).

AMEPAC also illustrates the costs to society for a high dropout rate due to a loss of earning potential. Over a lifetime of work, this could translate to well over half a million dollars in lost income for each individual who drops out of school. Lost income also means lost tax revenues.

In his book *Money: Who has How Much and Why*, Andrew Hacker illustrates how education adds to income. According to Hacker, men who worked full-time in 1995 but never finished high school earned an average of $20,466 a year. Men with high school diplomas earned an average of $32,689 while men with bachelor's degrees earned an average of $57,196 a year. Hacker also cites Census Bureau studies that show that during the course of a career, a college graduate can expect to earn about $600,000 more than a person with a high school diploma.

Poverty also prevents some low-income families and children from keeping up with technology. This "digital divide" keeps low income people from employment opportunities ranging from the basic need to provide résumés, to the inability to gain technical skills required by most well-paying jobs. Without access to computers and current technology, low income Arizonans find it virtually impossible to better their circumstances and rise above poverty.

## Child Care

The average annual cost for full time child care ranges from $3,500 to $7,500 depending on the age of the child, the type of provider, and area of the state. With these prices, child care can cost parents more than college tuition. When low income families struggle to meet basic needs, parents seek assistance when they have no other options:

- In 1999, a monthly average of 36,590 Arizona children were in subsidized child care. (Note: at the writing of this report the number has grown to about 42,000.)
- In 2000, 11,882 Arizona children were served by Head Start, a 6 percent increase from 1999.
- In 2000, Arizona spent 5.9% of its $265 million in TANF funds on child care.

Only 4 percent of the families that receive state assistance are two-parent families. The typical family served is a single mother with two preschool age children.

Only working families with low incomes qualify for child care subsidies. The state currently only helps a family of three with gross income below $25,200 a year (165 percent of the federal poverty level). Compared to other states, Arizona's child care assistance is extremely limited according to the Arizona Children's Action Alliance. Thirty-five states have higher qualifying income eligibility levels and 41 states have lower co-pays. Eligible families in Arizona pay a significant amount of the cost. The upper qualifying levels pay a minimum of $330 per month out of pocket, or 17 percent of their gross income. Additionally, while the cost of child care has increased by 17 percent or more between 1996 and 2000, Arizona's child care subsidy amounts are still based on costs back in 1996.

As Arizona's welfare rolls shrink, the number of families needing child care assistance has grown significantly. In 1997, the Arizona Network for Community Responsibility reported that there are over 300,000 children under 13 living in low-income families who may be eligible for child care subsidies. Yet, current funding will support subsidies for only about 35,000 children. Even though not all eligible children need assistance, thousands of low-income families go without help.

Low-income families who purchase care also spend a greater proportion of their earnings on child care, according to a 2000 study by the Urban Institute. Nationally, it found, families in which the youngest child was younger than 5 spent about 10 percent of their earnings on child care, or an average of $325 per month. Low-income families spend an average of 16 percent of their earnings on child care or $1 of every $6 earned.

Because of high costs and questionable alternatives, many parents are forced into insecure child care arrangements with relatives or neighbors. Often when these arrangements fall through, parents must choose between their jobs or their kids. Additionally, more grandparents are becoming the caregivers of children. The 2000 Census showed 52,210 grandparents in Arizona who are now responsible for taking care of their grandchildren.

High quality child care is important for all children. Research has revealed that the first three years of life are critical times for brain development. Studies have shown that young children exposed to high-quality settings exhibit better learning and social skills. For example, Maricopa County Head Start tracks the outcomes for enrolled children in the areas of language and literacy, social and emotional, cognitive development and physical. In program year 2001-2002, the County saw Head State kids improve 17 percent in these areas.

Like other states, Arizona has a long way to go to ensure that those who work with young children have adequate, high quality care. The State of Arizona needs to establish the architecture for high quality child care that is available to all families. Greater attention and investments are needed. The state's investment not only will help families work toward self-sufficiency and break the bonds of welfare dependency, it also has multiple benefits throughout the economy and the State.

## Health Care

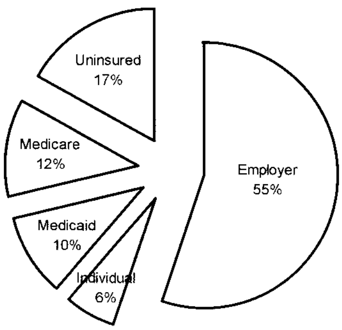
The lack of health insurance is obviously the most visible public health issue in Arizona today. The lack of adequate health care hits lower income families hard with uninsured children more likely to go without preventive care and immunizations and sometimes not receiving medical care when they need it.

Until recently, Arizona, like many other states, enjoyed a healthy economy that provided funding for a variety of health services programs, including direct services for low-income families and various prevention programs. Now with the recent economic downturn and lower state revenues, the state has begun to reduce the availability of health services to many lower-income families.

Increasing health care costs are impacting all Arizonans. For example, the largest employer in Arizona, State Government, has experienced increases in employee health insurance premiums by as much as 66 percent. Increases in co-payments for office visits and medications are projected to be up as much as 400 percent. If those with health insurance are experiencing these increases, imagine the costs facing lower-income families and the uninsured.

St. Luke's Health Initiatives (St. Luke's) reports that Arizona's uninsurance rate in 2000 was one of the highest in the nation at 16 percent or 805,000 people without health coverage. The Kaiser Family Foundation reported a 17 percent uninsurance rate for Arizona in 2001.

**Population Distribution by Insurance Status in Arizona - 2001**




Source: Kaiser Family Foundation, State Health Facts.

Using data from the Center for Cost and Financing Studies, the Kaiser Family Foundation also reports that in 2000, 62.9 percent of Arizona's private sector employers offer health insurance to their employees. This is slightly better than the national average of 59.3 percent. St. Luke's also reports that businesses with 10 employees or less have the highest rate of uninsurance at 45 percent. This is particularly disturbing when small businesses make up the majority of employers in Arizona.

The American Academy of Pediatrics estimated that about 356,000 of the 1.4 million children in Arizona still do not have health insurance in 2000. They also state that more than three-fourths of the number of uninsured children in Arizona are eligible for Medicaid or KidsCare but are not enrolled. While public programs exist, there are many families who make too much to qualify, but not enough to allow them to purchase coverage on their own (insurance premiums can equal more than 20 percent of their take home pay). Many of these families turn to community clinics that offer a sliding fee scale. St. Luke's recently reported that numbers are up at all clinics - roughly in the 5-10 percent range - and providers informally note that the general population seems to be in greater need of immediate medical attention.

While high costs are a barrier to quality health care, close access to services in many rural areas can also be a problem. The Arizona Department of Health Services primary care data show substantial portions of the state's rural population live more than half an hour away from any kind of health care service and cope with minimal services.

Ironically, people who are working but lack health insurance have a harder time getting care than people who aren't working. If you are unemployed in Arizona, chances are you'll qualify for AHCCCS health insurance benefits. But if you're employed in a job where you make more than the AHCCCS eligibility ceiling - up to 100 percent of the federal poverty level ($17,650 for a family of four) - then your options are limited unless your employer provides a health insurance benefit.

Over the past few years, the Arizona Health Cares Campaign has promoted KidsCare, Healthcare Group and Premium Sharing (which is being eliminated in 2003) in an effort to increase awareness of these alternative public health coverage products. While nearly 100,000 children and families have been provided new coverage thanks to the public outreach campaign, more than 800,000 people still remain uninsured.

Not only should health insurance be expanded, but also Arizona needs to continue to strengthen the development of a comprehensive safety net for health care. This safety net should support an array of organizations that are providing significant care to Medicaid patients, the underinsured and other "vulnerable" populations. These organizations include many county and community hospitals/clinics that are explicitly charged with providing services to those who are poor and unable to get health care through other means. Public officials, private hospitals and other safety net providers need to come together and explore ways to improve safety net services for the uninsured and the working poor.

I want to be free from being poor.
I want to live in my own house.
I want a car.
I want my family to be happy.
I want a pet.

## Transportation

Low income Arizonans cite transportation as one of the most significant barriers to finding and maintaining employment. Studies show that a parent with a car is more likely to be employed and work longer hours than one without a car (Joint Center for Poverty Research). Lack of transportation is a barrier for the following reasons:

- Low income families live far away from job opportunities. This is true in both urban and rural areas.
- Public transportation does not meet the current needs (lack of public transit systems in rural areas, non-standard work hours, the need to stop at other destinations en route to work such as child care centers).
- Car ownership is too expensive; insurance and maintenance costs are difficult for low income people to pay.

A number of programs are available to states and communities to respond to the transportation needs of low-income people. For example, TANF-funded allowances -- transit passes, reimbursements, vouchers or cash payments -- could be made available for income eligible families.

Also, networks of alternative transportation providers (currently in existence for specific populations, such as Dial-A-Ride), can be the "building blocks" for alternatives for low income workers. In fact, Pinal County Head Start operates a transportation service for low income working parents that could serve as a model for other communities. Some states like Kansas and Nebraska provide funds for auto licensing fees, insurance costs and taxes for low income workers who require cars for employment.

Arizona was recently among six states using Temporary Assistance to Needy Families (TANF) funds to support car ownership programs that solicit donations of cars. Unfortunately, Arizona's Wheels to Work program which provided 271 individuals with vehicles in 2001, was eliminated in 2002 due to lack of state funding.

## Welfare Reform

In 1996, Arizona adapted its existing welfare program, EMPOWER (the state's version of the federal Temporary Assistance to Needy Families [TANF] program), after Congress passed welfare reform nationwide. The federal legislation shifted the measure of success away from family economic stability to reduced caseloads with an emphasis on transitioning people to work. Many studies tout the success of welfare reform as demonstrated by high caseload reductions.

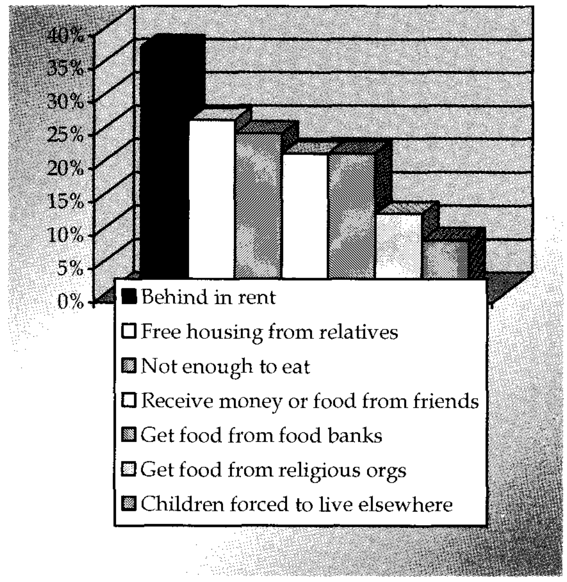
Like the rest of the country, Arizona has enjoyed tremendous success in reducing the number of families on welfare. Between April 1990 and April 2000, Arizona experienced a 25.6 percent decrease in caseloads, moving from 44,278 families to 32,927.

While many former recipients are transitioning to work, most continue to struggle economically. Not only do employed former welfare recipients generally have low earnings, but as their earnings grow, they lose other public benefits (i.e. food stamps). Going to work also may increase their work-related expenses, such as for child care and transportation, which cancels out part of their new earnings.

In 2000, the Arizona Department of Economic Security conducted the Arizona Cash Assistance Exit Study that followed over 10,000 families who left welfare. Of those 10,000, more than 800 participants were interviewed. Approximately 43 percent of those interviewed were not working at the time, even after leaving welfare. The remaining 57 percent reported an average wage of $7.47 an hour. Reports continue to show average annual wages of former welfare recipients to be less than $10,000 annually.

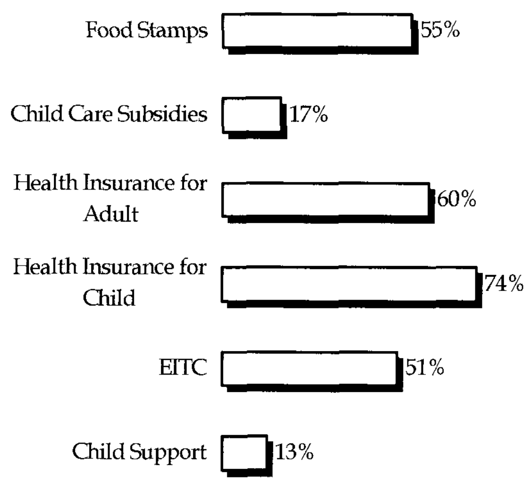
According to the Arizona Network for Community Responsibility, survey data also suggests that many families continue to struggle coming off of welfare. Many are getting behind in rent, rely on family for shelter, or do not have enough to eat at times and rely on getting food from others. Almost one out of every ten parents reported that they were forced to send children elsewhere to live.

*Percent of Families Reporting Need*




The Arizona Network for Community Responsibility also reports that while virtually all families leaving welfare would qualify for various kinds of other public assistance, only 60 percent or less of families take advantage of these critical supports. With the exception of child care subsidies, the primary reason families say that they do not use the program is because they thought they were not eligible.

*% of Former Welfare Families Seeking Services*



# Philosophical Reflections

## Shared Responsibility

Just as many in Arizona value hard work and individual responsibility, we must also value the necessity of caring for and sustaining families in poverty. Just as society finds ways to invest in protecting and preserving our natural resources, it is time to re-examine our commitment to our most precious resource - people.

Arizona must begin to recognize that the persistence of poverty, as a key determinant of health, compromises the long-term well being of our state and future generations. Public policy must recognize that any and all families can be vulnerable to factors that lead to poverty. ACAA believes the time has come for a comprehensive vision to end poverty in Arizona. But ACAA cannot do it alone. Others who are moved to compassion and committed to help must share this vision.

### *Community Involvement*

We must all work together to solve poverty. The active involvement of different actors is essential. Government, business, the non-profit and faith community, along with any caring individual all have distinctive contributions to make:

- Government intervention and interagency cooperation is key to the success of any poverty reduction strategy.
- Private sector must show leadership and involvement to demonstrate corporate responsibility and investment back to the community.
- Non-profits and advocacy groups, including the media, have a critical role in promoting open dialogue and consultation.
- Faith-based organizations in Arizona are a strong, largely untapped resource with thousands of motivated volunteers.

Arizonans have proven they care, with over half reporting in a recent Arizona State University study that they both volunteer and/or make a household financial contribution to a charity. Over 87% of those polled reported making a financial contribution to a charitable organization in the past 12 months with a $1,572 average total amount donated.

### *Strategic Focus*

Any serious effort at reducing poverty needs to have clearly articulated goals. The primary mission of Arizona's anti-poverty campaign should be the reduction of poverty and the enhancement of economic security of our most vulnerable families. To do this, Arizona needs social welfare and other policies that:

1) Ensure that those who work for a living earn a "livable wage" so they can support their own families.
2) Provide necessary resources for those who want to better themselves by providing basic nutrition, affordable housing, health care, child care, transportation, or assistance in pursuing advanced education.
3) Maintain a decent safety net to provide for basic needs and to protect families during hard times.

ACAA is committed to certain principles that are necessary to effectively meet these goals:

- Anti-poverty efforts should be focused not only on alleviating poverty but also on improving overall family and child well being.
- Anti-poverty programs need to provide comprehensive family supports that combine job training, quality job creation, job placement, job retention, health insurance, high quality child care and transportation services.
- Policy makers and providers need to use quality data to support the design of good policy and effective programming.
- As more and more public programs are evaluated for effectiveness, efforts should be redirected toward those that are truly making a difference.
- When public and private entities are looking to expand efforts, the community should look for ways to collaborate to maximize existing anti-poverty efforts.
- The public sector needs to provide a significant and consistent commitment of resources that are seen as a "hand up" not a "hand out."
- Decision makers need to establish clear priorities in state and local policy-making, recognizing that resources are limited.

## Arizona's Priorities

If the state is serious about improving quality of life for all citizens, certain issues need to be placed at the top of the public policy agenda.

### *Economic Development & Jobs*

People who work full-time should not live in poverty but earn a living wage. Our state and our nation need a set of policies that will raise wages, provide opportunities for the development of real job skills, expand tax benefits for the poor, and create higher quality, living wage jobs.

With the New Economy upon us, Arizona's commitment to serious economic development and high quality job creation is needed now more than ever. But this will happen only if the state is focused and ready, leaving no one behind.

To position Arizona in the global economy, economic developers should focus their strategies in areas that will lead to the creation of higher paying jobs:

- Target relocating corporate headquarters and attracting technology investments and other higher-paying "clean" industries.
- Help existing business to thrive and expand by providing training and assistance to upgrade old economy enterprises (i.e. incorporating technology into existing industry, both worker and industry training).
- Develop policies and support the implementation of a statewide workforce development system, congruous with the economic development initiatives that will effectively prepare Arizonans for work.
- Assist Arizona's communities and Indian Tribes to develop a sense of place (quality of life) and the foundations necessary for future economic growth through careful planning and capacity building.
- Support and accelerate entrepreneurship, small business creation/expansion, and the development of new emerging industries by providing assistance, capital, and other incentives.

## *Education*

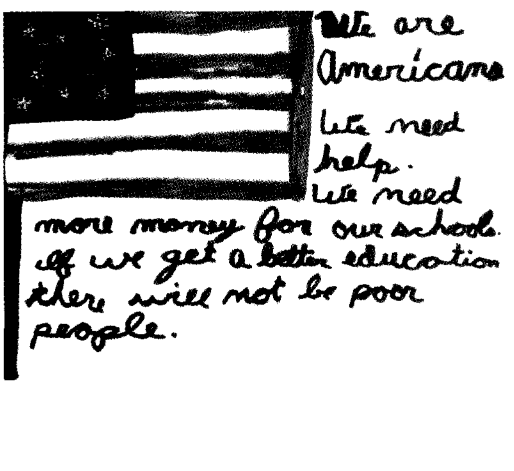
The Morrison Institute's recent report, *Five Shoes Waiting To Drop,* highlighted the importance of knowledge and education for Arizona's future. The report claims that talented prospective workers have reservations about locating in Arizona because of:

- Poor Performing Public Schools (52%)
- Lack of Workforce Training Programs (27%)
- Image of Sprawling Communities (15%)
- Not Considered a "Cool" Place (14%)
- Lack of Cultural Diversity (14%)
- Not Top-Tier Technology Hot Spot (10%)
- Lack of Environmental Amenities (2%)

Not only does this have ramifications on the State's economic development efforts, it is telling about what others think of our public education system. But it's not just perception:

- Student achievement is questionable: reading scores showed minimal gains in 2002 compared to 1997. (*Arizona Department of Education's analysis of Stanford Achievement Test, Ninth Edition (SAT9) results for Spring 2002*)
- Arizona's public school spending is grossly inadequate. Education Week gives Arizona a failing grade of F for the adequacy of its public school spending. *(Education Week, Quality Counts 2002)*

Quality education is central in a strategy to reduce poverty. Arizona must strengthen the foundations for increasing academic achievement, improving graduation rates, and encouraging lifelong learning.




## *Prevention and Early Intervention*

Often a crisis will happen before a family in poverty will seek help. Many times, the cost of dealing with a family's situation may be more problematic than had the family sought assistance sooner.

There are a number of strategies the state and communities can take to be more proactive than reactive when it comes to issues that adversely affect the family. They include:

- *Community Mobilization*: Develop ongoing grassroots efforts and partnerships to coordinate resources and deal effectively with issues affecting families in poverty. For example, implementation of the proposed "211 system" represents a tremendous opportunity to promote true collaboration to improve the delivery of health and human services in Arizona.
- *Public Information*: Offer targeted messages and promotional material on topics and services available to assist low income families.
- *Targeting Of High-Risk Families*: Identify areas and neighborhoods with high levels of poverty to offer targeted education and assistance.
- *Comprehensive Family Education*: Offer training on issues critical to life and social skills. Healthy Families Arizona is an example of a program that offers such service including encouraging self-sufficiency through education and employment; modeling effective parent-child interactions; providing child development, nutrition, and safety education; and linking families with other community services.
- *Mentorship*: Promote the use of positive role models to provide support and guidance to assist individuals in achieving personal growth.

## *Sound Fiscal Policy*

Recently, many individuals and advocacy groups have been voicing their concerns over Arizona's fiscal policies. This movement gained ground with the formation of a new coalition - Protecting Arizona's Family Coalition - made up of various human service providers and those who care about the well being of families.

The Coalition formed in response to the current state fiscal crisis and the potential loss of human services funding. The work of human services providers is even more critical during these times because of the downturn in the economy. ACAA stands united that we cannot morally cut services to our poorest and most vulnerable citizens and must continue to promote their general welfare. In fact, ACAA has been promoting this agenda since its inception over 30 years ago.

In particular, ACAA is advocating for true tax reform, starting with an elimination of special interest tax exemptions. The Morrison Institute notes the "revenue sieve" of tax exemptions, stating: "Arizona no longer has a balanced and efficient tax structure." ACAA supports and will work with others in researching equitable tax structures and advocating for fair changes in the tax structure.

ACAA supports maintaining human service funding and believes that in order for human needs to be met, the state must increase revenue to pay for it. We believe that Arizonans have demonstrated they are willing to be taxed for essential services and are willing to do what is necessary for their working families.

But it's not just human service agencies that are calling for a change in tax policy. Participants at a recent Arizona Town Hall stated it best: "Arizona needs to have a cohesive overall tax policy and should form a community-based task force to engage in a thorough examination of its tax system at all levels to insure that Arizona's tax system is adequate, equitable and competitive." Governor Napolitano has responded with the creation of a Citizens Finance Review Commission that will be making recommendations by the end of 2003.

## *Building Wealth*

America's current financial system does little to support low-income working people. Many U.S. tax policies assist those who already are accumulating assets. At the same time the government encourages the affluent to save, it requires the poor to deplete their assets in order to be eligible for public assistance.

One-quarter (25 percent) of U.S. households have net assets under $10,000, and therefore are "wealth-poor," concludes a joint report by the Consumer Federation of America (CFA), the National Credit Union Foundation (NCUF), and the Credit Union National Association (CUNA) using 1998 figures. The report also found that these wealth-poor households are more likely than other American families to plan for the next few months, rather than years; spend more than their incomes; and not save regularly.

The 2001 Survey of Consumer Finances by the Federal Reserve reveals the need for most American households to save. While the typical household has net assets of $86,100 (mostly home equity), it has net financial assets (including retirement accounts) of only $24,500. Moreover, the typical low to moderate income household has net financial assets of less than $2,000. Research by Ohio State University using the same information also revealed that the net financial assets and net wealth of these low- and moderate-income households actually fell in the late 1990s. Between 1995 and 1998, a period of strong economic growth and rising incomes, the net assets of very low-income households (under $10,000) fell from $4,992 to $3,950 and that of other low-income households ($10,000-25,000) sank from $31,940 to $24,650. Rising consumer and home equity debt was an important reason for this decline.

*Family Wealth Facts*

| | |
|---|---|
| **Typical American Family** | |
| Net Wealth | $86,100 |
| Net Financial Assets | $24,500 |
| **Typical Low-Income American Family** (poorest 20%) | |
| Net Wealth | $7,900 |
| Net Financial Assets | $2,000 |

Source: 2001 Survey of Consumer Finances, Federal Reserve.

Asset poverty is particularly acute in Arizona. In 2002, the Corporation for Enterprise Development (CFED) published a "report card" evaluating asset development policies and outcomes in the 50 states. While Arizona earned a "B" and ranked 19th in the *Asset Policy Index* reflecting state support for several key policies related to building and protecting assets, the state earned an "F" and ranked 49th in the *Asset Outcomes Index* reflecting poor results in indicators of financial, homeownership, small business, and human capital.

Arizona needs to address the distressing financial condition of low-income families and promote measures to help them save and build wealth. Strengthening the financial security of low-income people is good public policy. As they accumulate assets, both individuals and communities acquire invaluable benefits.

Individual Development Accounts (IDAs) are a practical method to make savings accounts available to low-income individuals and families. IDAs are matched savings accounts that reward the monthly savings of working families who are saving toward a high-return asset such as a first home purchase, post-secondary education, or a small business. The savings accounts are created through matching funds from private and public sources.

The Corporation for Enterprise Development reports that among 1,326 low-income families in pilot IDA programs nationwide, individuals saved more than $378,000, and garnered more than $741,000 in matching funds. In addition, evidence shows that the very poorest families save almost the same dollar amount as other families, making their savings rates proportionately higher than others.

To promote establishing IDA programs across Arizona, several agencies have formed a collaborative known as the *Assets for Arizona Alliance*. The purpose of the Alliance is to disseminate effective IDA practices, to expand their reach across Arizona and to create a larger constituency for IDAs. Other types of social marketing initiatives should also take place to persuade lower-income households, and the public at large, to save and build wealth.

## *Safety Net*

With the recent emphasis on welfare reform, many have been focused on efforts to move families into self-sufficiency. Unfortunately, many have judged the success of this effort on the reduction of caseloads and not on the reduction of poverty. As this Poverty Report has shown, the success of Arizona's welfare reform efforts to move families off welfare rolls has not assisted in moving them out of poverty.

And, while Arizona's welfare rolls have been dramatically reduced over the last few years, thousands of "hard to serve" families still remain. Multiple barriers faced by these families and other issues preclude many from ever reaching full self-sufficiency.

Additionally, until there is wide spread public support and political will for ensuring that no one who works full-time is poor, there will also be the "working poor" who will require assistance in meeting basic needs for themselves and their families. Therefore, Arizona needs a strong, comprehensive system of social and income supports to strengthen and support all families across Arizona through good times and bad.

But do public supports work? A 1999 study by Wendell Primus and Kristina Daugirdas demonstrated that 16 percent of poor children nationally, were lifted from poverty in 1997 due to the use of government benefits. Recent Census data and other research studies show that among working families, the Earned Income Tax Credit (EITC) lifts substantially more children out of poverty than any other government program or category of programs. According to the President's Council of Economic Advisors, the EITC lifted more than four million Americans out of poverty between 1993 and 1997.

What programs make up Arizona's safety net? While welfare and food stamps come most readily to mind, many other excellent programs exist at both the federal and state levels to provide income support to poor families so that their wages can be stretched to meet their needs.

Low-income families depend on transportation programs to provide access to jobs and other necessary appointments. Energy assistance and weatherization programs enable low-income families to maintain their homes in comfort. Medicaid and KidsCare help many children in poverty receive the health care they need. Federal policies and laws that provide wage supports like the minimum wage and Earned Income Tax Credit also help. These and other programs/policies must be expanded and adequately funded to meet the needs of low-income Arizonans, and appropriate outreach must be done to ensure that families are aware of their eligibility.

But government policies and programs are not enough. Many believe that current welfare reform efforts are beginning to re-define the safety net for poor people. The safety net is no longer a set of programs and services; instead, the safety net is a job. While many may share that belief, there are not enough good jobs available to meet the need. Until the economy is producing jobs that pay a living wage, a safety net is not only needed, but also essential.

## Call to Action

An effectively implemented anti-poverty strategy for children and families will assist in providing an economic and social environment where many more Arizonans can enjoy a higher quality of life. Substantive action with adequate funding and a forward-thinking long-term strategy are required to move forward on addressing poverty and building vibrant communities. It is time for the focus in Arizona to shift beyond process to results.

# Policy Recommendations

Many low-income Arizonans are trapped in the cycle of poverty and lack what most consider the basic necessities for survival—food, clothing, shelter, health care, and education. If we do not sufficiently increase disposable income for working people, we must have programs and services to provide essential supports to families in need. That is why ACAA is calling for the following recommendations to provide that support.

## Food and Nutrition

***More than 173,000 Arizonans go hungry every week. To expand opportunities for low-income families to obtain food and basic nutrition, efforts should focus on the following: 1) Enhancing and improving Arizona's current nutrition assistance programs, 2) Maintaining and expanding state resources to support private hunger relief efforts, and 3) Engaging all sectors of the food system to help solve Arizona's hunger problem.***

*1) Government Nutrition Assistance Programs*

- Food stamps should be made as flexible as possible, with the state implementing all possible waivers and options in order to remove barriers to participation.
- Automation and interactive, online applications should be implemented to facilitate and expedite the application process for all nutrition assistance programs, where appropriate.
- The state should strive for full participation in all government nutrition assistance programs utilizing public and private outreach efforts, such as ArizonaSelfHelp.org, and other pilot programs to improve participation.
- The state should initiate efforts to develop streamlined applications, share application information where appropriate, and ultimately strive for a universal application for all programs administered by state agencies.

*2) State Resources*

- Maintain and expand legislatively appropriated funds supporting private hunger relief efforts.

- Use state funds to leverage allocation of federal matching grants to support such programs as WIC Farmer's Market Nutrition Program, and Food Stamp Outreach.
- Create and conduct periodic, possibly annually, hunger and food security measurement tools for Arizona. Without this type of measurement it will be very difficult to determine what progress is being made in this area.

*3) Private and Community Resources*

- Encourage public support of hunger relief programs such as food banks and pantries and expand food distribution to rural and remote areas of the state where these services do not currently exist.
- Promote development of community gardens and farmer's markets as a local food acquisition alternative for low-income households.
- Promote variety and improved quality of food dispensed through public and private nutrition assistance and hunger relief programs.
- Engage all sectors of the food system to help solve Arizona's hunger problem - especially consider development of local, county and statewide food policy councils to lay the groundwork for building food security.

## Affordable Housing

***To assist in the elimination of poverty in Arizona, affordable housing efforts should focus on two areas, 1) Continuing the use of various federal and state resources to subsidize the cost of housing for lower-income households, and 2) Promoting efforts at the local government level to reduce the cost of housing through innovative design and the reduction of barriers.***

*1) Public Subsidies*

- Federal, state and local governments should increase funds for affordable housing and make housing subsidies available to a larger proportion of those who are income-eligible.
- Federal, state and local governments should target more of their resources toward those in serious need- the working poor.
- Federal, state and local governments should work together to standardize applications/forms and share and/or defer monitoring and other responsibilities to reduce barriers and administrative burdens.
- All affordable housing programs should be linked and supported by an array of comprehensive services that will work to address all issues confronting the family in an effort to stabilize families and increase their chances of long-term self-sufficiency.

*2) Local Innovation and Barrier Reduction*

- Local governments should examine their zoning and design standards and determine if barriers exist that drive up housing costs.
- Local governments should consider ways they can contribute to the reduction of housing costs by promoting design innovation, integrating land uses, waiving fees or contributing land.
- Local governments should specifically target ways to integrate new or rehabilitate existing housing in the community that is affordable for those in poverty.
- Communities must build support for strengthening awareness and generating action. There is relatively strong public support for policy changes that might produce more affordable housing according to a 2002 survey performed in Maricopa County by the Collaboration for a New Century.

## Child Care

***To expand opportunities for low-income parents to receive quality, affordable care for their children while they work, ACAA recommends 1) Expanding existing publicly supported child care programs, 2) Promoting the expansion of privately sponsored affordable child care, and 3) Ensuring quality and accessibility for all.***

*1) Child Care Subsidies*

- The federal government should fully fund quality child care and youth development programs such as Head Start, Early Head Start and the Child Care and Development Block Grant.
- The federal and state government should provide an adequate refundable child care credit that benefits low-income working families.
- The state should continue to fully fund and expand child care vouchers by appropriating all available federal funds and providing full matching support.
- The state should work to expand eligibility for subsidized child care.

*2) Private Options*

- The state should encourage local businesses to invest in systems of high quality, accessible child care for their employees.
- The state and communities should work to increase private, faith-based and local partnerships to provide more after-school programs for low-income children.

*3) Quality and Accessibility*

- The state should increase opportunities for early childhood education.
- The state should enforce quality standards for state-subsidized child care.
- The state and providers should provide care that is accessible to families with non-traditional child care needs—evenings, weekends, wrap-around, etc.

## Health Care

***To assist more low-income Arizonans to improve their chances for affordable, quality health care, ACAA recommends 1) Expanding existing public health care programs, 2) Providing incentives and assurances to increase insurance coverage, and 3) Supporting community health clinics.***

*1) Public Health Care Programs*

- The federal government should work to ensure that every American has access to affordable quality health care.
- Federal and state governments should continue to find ways to deliver affordable prescription drugs, particularly for the elderly.
- The federal government should work to give states the tools and incentives to allow them to expand coverage to the uninsured.
- The federal and state governments should increase funding and eligibility for needed public health programs like Medicaid, AHCCCS, KidsCare, Premium Sharing, etc.
- The state should identify and develop a dedicated publicly subsidized source of funding for the uninsured in Arizona.
- The state should encourage ways to streamline administration and regulations to reduce costs and expand coverage.
- The state should continue to focus on disease prevention efforts such as childhood immunization, nutrition education, mental health and substance abuse prevention and treatment, and smoking-related education programs.
- The community should support initiatives to conduct outreach and enrollment in available programs.

*2) Private Coverage Incentives and Assurances*

- The state should support market-based reforms such as tax incentives and subsidies for individuals and small employers should be pursued.
- The state should support and facilitate efforts to enable small employers to join together to participate more effectively in the health insurance market.
- The state should work to ensure that all licensed insurers that wish to do business in Arizona be required to present plans for ensuring that adequate and reasonably priced health insurance is available throughout Arizona.

*3) Community Clinics*

- The state should work to support community health centers and other providers who offer sliding scale health care. This includes working with them to aggressively pursue all federal subsidies available for care.

## Transportation

***To expand transportation opportunities for low-income families ACAA recommends 1) Understanding the need and gaps, 2) Increasing the use of public resources that offer an array of transportation services; and 3) Creatively encouraging the development of local services through community partnerships and coordination.***

*1) Understanding the Gaps*

- The state should develop a statewide comprehensive plan to address transportation barriers to work. The plan should include the unique problems of rural areas.
- Local communities should use ADOT Small Area Transportation Studies and needs assessments to determine greater detail of transit needs.

*2) Public Funding*

- TANF funded transportation assistance should continue to be flexible and diverse - for example there should be an array of services including drivers education, assistance with insurance, car repairs, gas vouchers and mileage reimbursements.
- Eligibility for all transportation assistance programs should be expanded.
- The state should revise asset limits associated with assistance programs to recognize the importance of vehicles as a means to get to work (24 states now place no limit on the value of one car owned).
- The state should use TANF and other funds to assist low-income workers with matching grants to acquire cars and provide ongoing assistance for car operating expenses. For example, resurrect the *Wheels to Work* Program.
- Transitional transportation assistance should continue for a longer period - perhaps up to two years after individuals are successfully employed.

*3) Local Program Development*

- Local governments should work to develop public transit programs (where appropriate) to meet the needs of transit dependant populations.
- Communities should also consider "paratransit" alternatives like Dial-A-Ride and other types of public program transportation services.
- Local Workforce Investment Boards should participate in the purchase of vouchers for transit dependant working poor, utilizing private for profit services or Public Transit Services.
- TANF funds should be used to hire transportation coordinators to organize new transit alternatives for low-income workers to include coordination with existing "paratransit" services.

## Jobs and Income

***To expand opportunities for low-income parents to improve their wages, ACAA recommends 1) Providing adequate employment assistance in finding and securing a job, 2) Expanding opportunities for training and skill development, and 3) Ensuring that adequate wage supports are in place to help lift families out of poverty.***

*1) Employment Services*

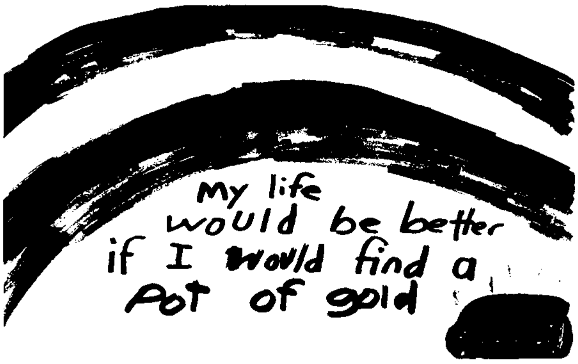
- The state should support programs that provide services to assist lower-income persons to find higher paying jobs.
- To help unemployed and underemployed people secure work and gain appropriate jobs skills and experience, federal, state and local governments should create public sector jobs programs.
- The federal and state governments should continue to support the creation and expansion of microenterprise lending programs to expand self-employment opportunities.
- To assist those looking for work, the state should raise its unemployment benefits. Arizona's maximum unemployment insurance benefit is only $205 a week, well behind our neighboring states New Mexico ($277), Nevada ($301), and Utah ($365).
- Existing health, safety, and anti-discrimination laws should be enforced or expanded to cover more people and improve the quality of available jobs.

*2) Training and Skill Development*

- Funding for training and education through the Workforce Investment Act should be increased.
- The state should continue to support and enhance its workforce development system designed to provide unemployed and under-employed workers with the training and support they need to obtain employment and advance in their careers.
- Existing programs and partnerships should be expanded to provide low-income youth mentoring and support for post-secondary education and training.
- The state should work with colleges and the business community to provide enough financial aid, apprenticeship programs, and other training options to all students interested in postsecondary education.
- Programs should be created or expanded to provide low-income people the benefits of information technology through training and access to computers and the Internet.

*3) Wage Supports*

- The federal Earned Income Tax Credit program should be expanded by raising income thresholds.
- The state should follow the lead of other states and consider the establishment of a similar earned income tax credit in Arizona.
- Congress should raise the federal minimum wage so that fulltime employment brings a family's income above the poverty line. During the 1960s and 1970s, the poverty level for a family of three was roughly equal to the yearly earnings of a full-time worker earning the minimum wage. According to the Economic Policy Institute, the minimum wage would have to be raised to $6.53 to restore the purchasing power it had in 1979.
- The state should also consider the establishment of a state minimum wage.
- State and local governments should consider passing laws requiring businesses that benefit from public money to pay workers a living wage. More than 100 communities across the country, including Tucson Arizona, have enacted living wage ordinances.



# Best Practices and Success Stories

## Family Support

*Circles of Support*

Circles of Support represents a promising program that goes beyond emergency services and seeks to help families out of poverty by promoting the development of deep relationships with those who can help. Regular meetings are held for the participants of these circles and are composed of human service providers, businesses, members of churches and other individuals. An example of this concept can be seen in Iowa from an organization called Beyond Welfare where half of the participants have successfully transitioned off of welfare and became self sufficient. Circles of Support has begun to take shape in Arizona as several Community Action Agencies and community-based programs have received training and initiated support circles throughout the state.

## Building Wealth

*Vermont Development Credit Union (VDCU)*

In 1988, the Burlington Ecumenical Action Ministry created VDCU to be dedicated to creating financial stability for lower-income families. Its services include lending, financial services such as check cashing and savings accounts, and development services such as homeownership counseling. VDCU has had a high social return on investment with the first $50 million in loans made to its members saving an estimated $8.5 million in interest payments compared with predatory forms of credit.

## Jobs and Income

*Women in Construction Program*

In 1995, the Kentucky River Foothills Development Council began a program to train low-income women for highway construction jobs. The program was designed primarily for single mothers who needed to increase their earning power. Enrollees receive technical training through a combination of classroom and hands-on instruction, and receive placement assistance and support as they transition into the workforce. Results from an outside evaluation show that program graduates are highly employable. In fact, 71% of women who went through the program are employed, earning $10.28 per hour on average.

## Affordable Housing

*Beyond Shelter*

In 1988, an innovative California non-profit organization called Beyond Shelter was founded with a concept that provided a new approach to ending family homelessness - placing families as quickly as possible into permanent housing, with supportive services. The program builds on the existing system of emergency and transitional housing by providing the next step: assistance in relocation to permanent housing with transitional support, as families are integrated back into communities. From 1989 to 2001, more than 85% of 2,300 program participants were stabilized in permanent housing within one year. According to an outside evaluation, more than 90% of the mothers and 80% of the children who completed the program achieved their goals.

## Education

*Cincinnati Youth Collaborative Mentoring Program (CYC)*

Residents in Cincinnati decided to be proactive in reducing the dropout rate. In 1987 CYC was formed to offer a variety of programs including tutoring, mentoring, internships and college preparation assistance. Over 60 local corporations, organizations and individuals provide financial support to CYC. An outside evaluation of the program found that mentoring can reduce the dropout rate. Ninety percent of the teens studied stayed in school, compared to graduation rates of 40 to 75%.

*Project Learn - a Program of Boys and Girls Clubs of America*

Project Learn reinforces and enhances the skills and knowledge young people learn at school through "high-yield" learning activities at the Club and in the home. Based on Dr. Reginald Clark's research that shows fun, but academically beneficial activities increase academic performance, these activities include leisure reading, writing activities, homework help and games. Project Learn emphasizes collaborations between staff, parents and school personnel. Formally evaluated by Columbia University, Project Learn has been proven to boost the academic performance of Club members.

## Health Care

*Dental Health for Arlington (DHA)*

In 1992, representatives from 16 community agencies and professional dental health organizations worked together to form DHA in Tarrant County Texas to provide comprehensive dental care to low-income families. More than 200 volunteer dental professionals have provided $4.8 million in free dental care. Between 1993 and 2000, the number of participating schools in DHA's SMILES program has increased by 90%, and the number of children screened by 99%. Evaluations have shown a dramatic increase in the knowledge of dental health in schools.

## Child Care

*North Carolina Rural Center's Statewide Communities of Faith Initiative*

A recent look at child care providers notes that nearly one of every six child care centers is housed in a religious facility. North Carolina's Church Child Care initiative represents a partnership to work with the faith community to expand child care facilities in rural parts of the state. The initiative provides: 1) Technical assistance to persons wanting to develop, expand or improve child care programs in rural churches; and 2) Loan guarantees to churches needing capital for programs and educational opportunities.

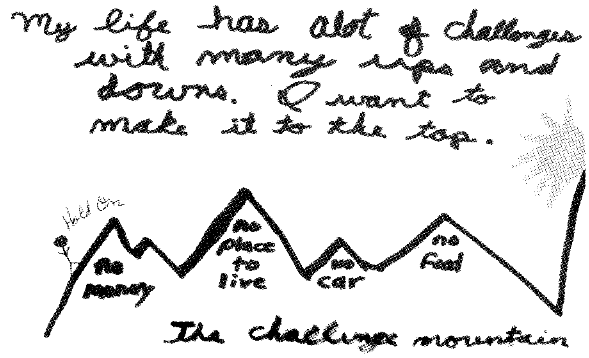
## Transportation

*Cedar Rapids' Neighborhood Transportation Service (NTS)*

The NTS was started to provide door-to-door transportation to and from work on days when city buses did not operate. NTS connects residents to jobs, job training, employment-related treatment services, and educational opportunities that further their employability. It's a "neighbor to neighbor" solution -- NTS employees come from the same neighborhoods that they serve. Ridership has grown from 556 in 1994 to 27,397 in 2001. Riders pay $3 per ride that covers 30% of costs. In a recent study, 83% of customers reported using its services for work-related transportation. NTS customers also reported that the service enabled them to increase their income, save and get off welfare.

## ACAA Success Stories

Arizona's Community Action Agencies are also making a difference in the lives of the thousands of families and individuals they serve every year. Here are a few of those successes:




### Karen from Holbrook...

*As a single parent, recently divorced I was facing and encountering so many difficult situations. Being unemployed and unable to seek employment left me in a financial bind. I had little hope left. I went to the Holbrook Senior Citizen Center seeking aid. One does not comprehend the emotions you face when you're not sure if the roof over your head will be protecting your children for another cold night. I have four children, 18, 15, 8, and 5. My utilities were being shut off and my home was going into default. It was to my relief to find out that I was able to keep my home after being awarded assistance. I decided to go to the Senior Center to show my appreciation when, with surprise I was offered a job as a Case Manager. Since that day, I had been able to renovate my home into a better living situation. Presently, as a Case Manager, I get a personal satisfaction that I am able to assist many families and many single parents. Knowing how they have to feel when seeking assistance, it is a tremendous relief to feel that I in return can assist these families as I was once standing.*

### Jessica from Phoenix...

*I am 21 years old and I have a 3 year old son. I was in the Young Families CAN program through the City of Phoenix and I just want to say that if it weren't for the program, I wouldn't have graduated from college. The Young Families CAN program and my case manager have always been there for me. They helped me with transportation, paying for my classes and books and gave my son and me a good Christmas. When I started the program, I was barely entering college and didn't have a good paying job and no skills. Now, I have graduated from Phoenix College with my AA degree in Administration of Justice Studies. I am working and recently got my license to sell insurance. My goals for the future are to become a police officer. I give Young Families CAN credit for who I am today. Thank you.*

## Lynn and Kami from Gilbert...

*We would like to express our heartfelt gratitude for the help CAP (Gilbert Community Action Program) has given us. In October 2001, I was laid off and could not make my house payment. CAP was able to help us out by paying 1-½ months mortgage payments for us, which was enough to keep us in our home. Our heat pump had gone out and we were without heat. Two of the burners on our stove were out. Through CAP, our heat pump and furnace were replaced and we received a new stove as well. We also received help with payments on our electricity bill. At Christmas time we were given a very generous gift of food for our Christmas dinner, as well as gifts for our 2 youngest daughters. These things have meant the world to us and we sincerely wish to express our thanks for all who made this possible. In the past, it was we who have been on the giving end of things. What an eye-opening experience to be the recipient of others' goodwill and kindness. We will certainly do our best to be more aware of the needs of others and look for ways to repay the help we received.*

## Single woman from Casa Grande...

*I contacted CAHRA (Community Action Human Resources Agency) in early January 2003 for help getting a place of my own because I was homeless and living in my van...I came to Mesa from Mississippi to live with my son and his wife to help them out. After making the move, I found out that my son and his wife had very bad drug problems. They both became verbally abusive and threatened to harm me physically. I was very frightened...the abuse and stress continued and I suffered a mild stroke and developed congestive heart failure. On Christmas Day 2002, I ran from my son's home because he was out of control...when I left I did not take anything with me, not even my clothes. In February I was able to find subsidized apartment for $45 a month that I could afford with my income of $339 a month. CAHRA also provided me with funds to cover my utility deposit, move-in deposit and first month's rent. The agency also signed me up for the Telephone Assistance Program and enrolled me in the utility discount program. I was also referred to the St. Vincent de Paul Society, and they helped me get furniture, pots, pans and dishes and some clothes. Since I have gotten my own place and feel safe, my health has gotten better. I have a Bible study group meeting in my home on Saturdays. Friends from my church gave me a sewing machine and I plan to start making my own clothes. I just turned 65 so my Social Security has increased so that I have a little a bit more income to cover my needs.*

# County Profiles

# Apache County

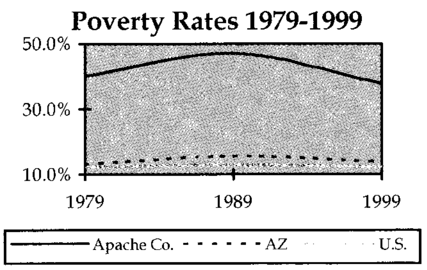
The 2000 Census revealed 69,423 people living in Apache County, a 12.7 percent increase from the 1990 Census of 61,591. In 1999, Apache County had nearly 38 percent of its population or 25,798 people living below the poverty level. Apache County's poverty rate was the highest among Arizona's 15 counties. It should be noted that more than 79 percent of its population lies within the Fort Apache and Navajo Reservations. The poverty rate for people not living on reservation lands in Apache County was 15.1 percent or 2,098 people compared to 43.7 percent or 23,700 people in poverty on reservation lands.

### Poverty in Selected Communities

| Number of Persons Below Poverty Level (Poverty Rate) | 1989 | 1999 | % Change |
|---|---|---|---|
| Eagar | 560 (14.2%) | 303 (7.4%) | -45.9% |
| St. Johns | 370 (11.2%) | 481 (15.3%) | 30.0% |
| Springerville | 278 (15.4%) | 407 (21.0%) | 46.4% |
| Window Rock | 685 (21.8%) | 741 (24.6%) | 8.2% |
| Reservations | 27,041 (56.2%) | 23,700 (43.7%) | -12.4% |
| Apache County | 28,640 (47.1%) | 25,798 (37.8%) | -9.9% |
| Arizona | 564,362 (15.7%) | 698,669 (13.9%) | 23.8% |

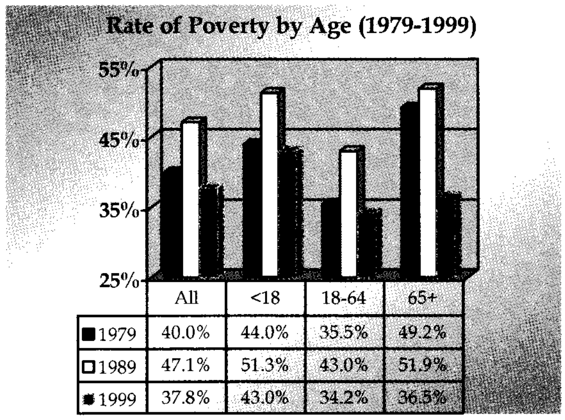
Source: U.S. Census and Research Advisory Services, Inc.

While the number of people in poverty decreased over the last ten years, the 1999 figure represents a 24.8 percent increase since 1979 when 20,675 people or 40.0 percent of the county's population lived in poverty. In 1999, Apache County's poverty rate still remains significantly higher than the state and national average of 13.9 percent and 12.4 percent respectively.




### Poverty and Age

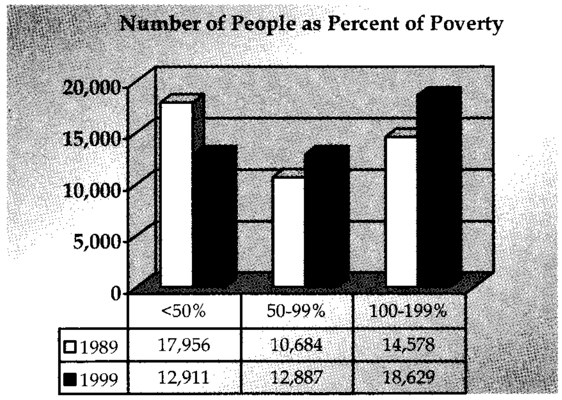
In 1999, among all age categories examined, children under 18 years of age experienced the highest rate of poverty at 43 percent, while those age 18 to 64 had the lowest rate at 34.2 percent. Over the last ten years, the rate of poverty has decreased for all age groups. Compared to 1979, 1999 poverty rates are about the same for all age groups except those over 65 who experienced an improvement from 49.2 percent to 36.5 percent.




Source: U.S Census.

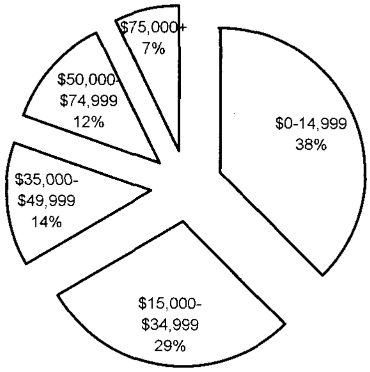
### Poverty and Income Levels

Examination of the income to poverty ratio reveals that 12,911 people or half of those below the poverty rate in Apache County were ***very poor***, with incomes less than 50 percent of the poverty threshold. Another 18,629 people had incomes equal to or above the poverty level, but less than 199 percent (ACAA's definition of "working poor"). ***In total, there are 44,427 people in Apache County who are poor or "working poor," 65.1 percent of the county's total population.***




Source: U.S Census.

*1999 Household Income Distribution - Apache County*




Source: U.S Census. Note: The median household income in Apache County was $23,344 in 1999 compared to $14,100 in 1989 (65.6 percent increase).

From 1990 to 1999, personal income for Apache County increased 71.2 percent compared to the state's nearly 90 percent (according to the Arizona Department of Economic Security). On a per capita basis, the gain of 54.6 percent was 8.3 percent above the state's growth of 46.3 percent. Apache County per capita income was approximately $13,193 in 1999, about one half of the state's level. Average earnings per job were $27,825 in 1999, which represented an increase of nearly one-third since 1990 compared to the state's increase of 40.3%.

## Poverty and Families

In 1999, the poverty rate among all families with children under 18 years of age living in Apache County was 37.8 percent. The rates for families with children headed by single females were 53.9 percent and even higher with younger children (less than 5 years) at 65.5 percent. Married couple families with children experienced a lower rate at 28 percent.

| Number Below Poverty Level (Poverty Rate) | 1979 | 1989 | 1999 | % Change '79-'99 |
|---|---|---|---|---|
| All | 3,734 (35.3%) | 5,508 (41.5%) | 5,108 (33.5%) | 36.8% |
| With children under 18 | 3,002 (37.2%) | 4,459 (44.8%) | 3,879 (37.8%) | 29.2% |
| Female-headed with children under 18 | 860 (51.7%) | 1,565 (63.9%) | 1,715 (53.9%) | 99.4% |
| Female headed with children under 5* | 476 (54.3%) | 819 (66.5%) | 821 (65.5%) | 72.5% |

*1979 numbers include 5 year olds. Source: U.S. Census.

## Poverty and Race

Among racial/ethnic groups, American Indians experienced the highest poverty rate at 43.9 percent and Whites had the lowest at 12 percent. American Indians were also represented at a disproportionately higher rate among those in poverty than in the overall population. Over the last ten years, the poverty rate increased for all races except American Indians and those of Hispanic Origin.

| Race Ethnicity | % of Total Population 1999 | % of Poverty Population 1999 | Poverty Rate by Race 1999 | Poverty Rate by Race 1989 |
|---|---|---|---|---|
| White | 19.5% | 6.3% | 12.0% | 10.9% |
| Black | 0.2% | 0.2% | 24.3% | 8.9% |
| American Indian | 76.9% | 90.9% | 43.9% | 57.2% |
| Asian/PI | 0.2% | 0.1% | 28.8% | - |
| Other | 3.2% | 2.5% | 29.2% | 26.3% |
| Hispanic Origin* | 4.5% | 3.1% | 25.5% | 27.5% |

NOTE: Categories include those identifying themselves as Hispanic. *Those of Hispanic Origin may be of any race. Source: U.S. Census.

## Public Assistance

According to the 2000 Census, 2,678 households or 13.4 percent of all households in Apache County received public assistance. The mean or average amount of public assistance income for 1999 was $3,237, a decrease from the 1989 average of $3,344 and $3,997 in 1979. Participation levels in the Food Stamp and Temporary Assistance to Needy Families (TANF) programs serve as indicators of the extent of poverty. In 2000, 18,732 people or 27 percent of the population received food stamps. At the same time, 2,040 or 13.4 percent of families were enrolled in TANF.

| Public Assistance (PA) | Base Year | 1990 | 2000 | % Change 1990-2000 | % Change Base Yr-2000 |
|---|---|---|---|---|---|
| Households receiving PA (1980) | 2,312 | 4,116 | 2,678 | -34.9% | 15.8% |
| Persons Food Stamps (1985*) | 18,387 | 19,096 | 18,732 | -1.9% | 1.9% |
| Families AFDC-TANF (1985*) | 1,818 | 2,347 | 2,040 | -13.1% | 12.2% |

NOTE: Base year in parentheses. *April figures. Source U.S. Census and Arizona Department of Economic Security.

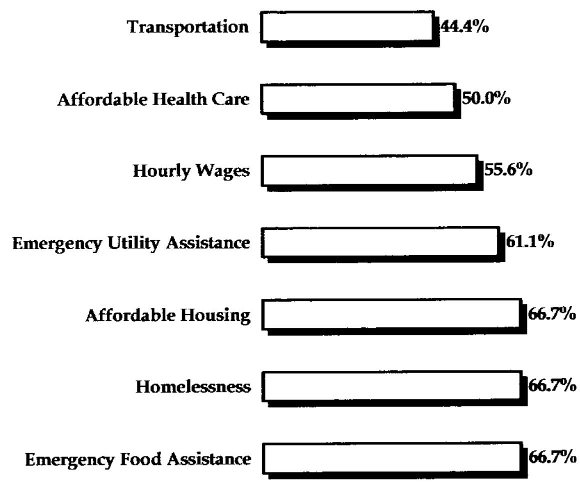
## Self-Sufficiency

According to an Arizona Children's Action Alliance report completed in 2002, "The Self-Sufficiency Standard for Arizona," a single parent with an infant and a preschool-age child needs to earn a minimum of $32,206 annually to cover basic expenses in Apache County. In comparison, the following chart notes that a two parent household with an infant and a preschool-age child would need to make $38,947 annually, while a single adult would need $14,168 to cover basic living needs in Apache County.

| Monthly Costs | Adult | Adult + Infant Preschooler | 2 Adults + Infant Preschooler |
|---|---|---|---|
| *Housing* | 396 | 503 | 503 |
| *Child Care* | 0 | 825 | 825 |
| *Food* | 176 | 345 | 496 |
| *Transportation* | 221 | 227 | 437 |
| *Health Care* | 102 | 289 | 358 |
| *Miscellaneous* | 90 | 219 | 262 |
| *Taxes* | 196 | 456 | 545 |
| *Earned Income Tax Credit (-)* | 0 | 0 | 0 |
| *Child Care Tax Credit (-)* | 0 | -80 | -80 |
| *Child Tax Credit* | 0 | -100 | -100 |
| *Self-Sufficiency Wage:* | | | |
| *Hourly* | **$6.71** | **$15.25** | **$9.22 Per adult** |
| *Monthly* | **$1,181** | **$2,684** | **$3,246** |
| *Annual* | **$14,168** | **$32,206** | **$38,947** |

## Perceptions from the Community

Two community meetings were held to discuss the major issues regarding poverty in Apache County. The chart below shows the percentage of participants surveyed who believe conditions have gotten ***worse*** in the following areas over the last ten years:




More specifically, participants expressed concerns over the lack of employment opportunities and public transportation, reductions in tourism and spotty telephone/Internet service. One of the biggest concerns was the exodus of young people from the area to find work in larger communities. Suggestions made to improve the area included increasing economic development efforts, improving education and expanding telecommunications infrastructure.

# Cochise County

The 2000 Census revealed 117,755 people living in Cochise County, a 20.6 percent increase from the 1990 Census of 97,624. In 1999, Cochise County had almost 18 percent of its population or 19,772 people living below the poverty level. While the overall percentage of people in poverty decreased over the last ten years, the number of people in poverty did not. Cochise County experienced a 5.6 percent increase since 1989 when 18,721 people or 20.3 percent of the county's population lived in poverty.

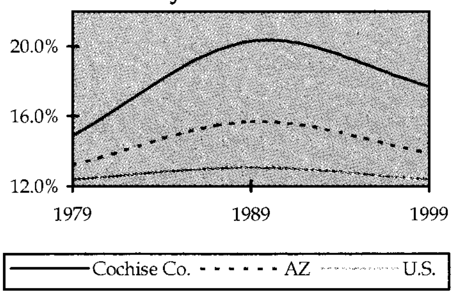
### Poverty in Selected Communities

| Number of Persons Below Poverty Level (Poverty Rate) | 1989 | 1999 | % Change |
|---|---|---|---|
| Bisbee | 1,351 (21.6%) | 1,046 (17.5%) | -22.6% |
| Douglas | 5,512 (43.1%) | 5,015 (36.6%) | -9.0% |
| Sierra Vista | 3,288 (10.7%) | 3,630 (10.5%) | 10.4% |
| Wilcox | 705 (23.1%) | 963 (27.0%) | 36.6% |
| Cochise County | 18,721 (20.3%) | 19,772 (17.7%) | 5.6% |
| Arizona | 564,362 (15.7%) | 698,669 (13.9%) | 23.8% |

Source: U.S. Census and Research Advisory Services, Inc.

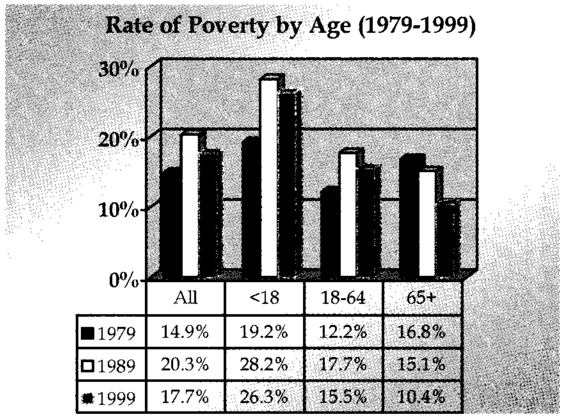
When you compare poverty rates over the last twenty years, Cochise County's poverty rate increased from 14.9 percent in 1979 to 17.7 percent in 1999, 12,393 to 19,772 people respectively. In 1999, Cochise County's poverty rate still remains higher than the state average of 13.9 percent and the national average of 12.4 percent.

**Poverty Rates 1979-1999**




## Poverty and Age

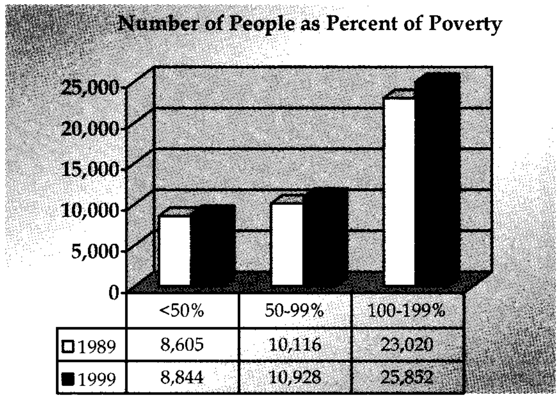
In 1999, among all age categories examined, children under 18 years of age experienced the highest rate of poverty at 26.3 percent, while those 65 and older had the lowest rate at 10.4 percent. Over the last twenty years, the rate of poverty has increased for all age groups, except those over 65 who experienced an improvement from 16.8 percent in 1979 to 10.4 percent in 1999.




Source: U.S Census.

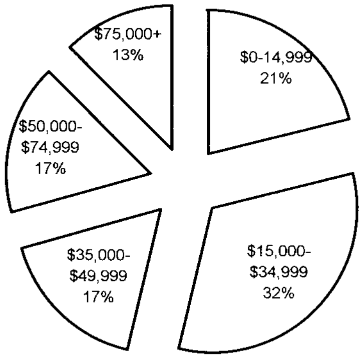
## Poverty and Income Levels

Examination of the income to poverty ratio reveals that 8,844 people or 44.7 percent of those below the poverty rate in Cochise County were *very poor*, with incomes less than 50 percent of the poverty threshold. Another 25,852 people had incomes equal to or above the poverty level, but less than 199 percent (ACAA's definition of "working poor"). ***In total, there are 45,624 people in Cochise County who are poor or "working poor," 40.8 percent of the county's total population.***




Source: U.S Census.

*1999 Household Income Distribution - Cochise County*




Source: U.S Census. Note: The median household income in Cochise County was $32,105 in 1999 compared to $22,425 in 1989 (43.2 percent increase).

From 1990 to 1999, local total personal income in Cochise County increased 54.4 percent compared to the state's nearly 90 percent (according to the Arizona Department of Economic Security). On a per capita basis, the gain of 34 percent was below the State's growth of 46.3 percent. Cochise County per capita income was $18,797 in 1999, about 75 percent of the state average, down from 81.5 percent in 1990. Average earnings per job increased 0.8 percent in 1999 to $27,284 - 3.3 percent less than the state's gain of 4.1 percent.

## Poverty and Families

In 1999, the poverty rate among all families with children under 18 years of age living in Cochise County was 21.6 percent. The rates for families with children headed by single females were 47.2 percent and even higher with younger children (less than 5 years) at 61.4 percent. Married couple families with children experienced a much lower rate at 13.5 percent.

| Number Below Poverty Level (Poverty Rate) | 1979 | 1989 | 1999 | % Change '79-'99 |
|---|---|---|---|---|
| All | 2,629 (11.8%) | 4,060 (15.8%) | 4,195 (13.5%) | 59.6% |
| With children under 18 | 1,977 (15.6%) | 3,105 (23.2%) | 3,328 (21.6%) | 68.3% |
| Female-headed with children under 18 | 796 (47.5%) | 1,438 (55.9%) | 1,575 (47.2%) | 97.9% |
| Female headed with children under 5* | 457 (57.6%) | 724 (74.2%) | 725 (61.4%) | 58.6% |

*1979 numbers include 5 year olds. Source: U.S. Census.

## Poverty and Race

Among racial/ethnic groups, those of Hispanic Origin experienced the highest poverty rate at 29.5 percent and Blacks had the lowest at 9.8 percent. Other races and those of Hispanic Origin were represented at a disproportionately higher rate among those in poverty than in the overall population. All races in Cochise County saw an improvement in poverty rates from 1989 except Asian/Pacific Islanders.

| Race Ethnicity | % of Total Population 1999 | % of Poverty Population 1999 | Poverty Rate by Race 1999 | Poverty Rate by Race 1989 |
|---|---|---|---|---|
| White | 76.7% | 70.7% | 15.4% | 18.1% |
| Black | 4.5% | 2.7% | 9.8% | 24.8% |
| American Indian | 1.1% | 1.3% | 19.3% | 24.8% |
| Asian/PI | 1.9% | 1.4% | 12.2% | 9.5% |
| Other | 15.8% | 24.2% | 25.7% | 38.6% |
| Hispanic Origin* | 30.7% | 54.0% | 29.5% | 37.0% |

NOTE: Categories include those identifying themselves as Hispanic. *Those of Hispanic Origin may be of any race. Source: U.S. Census.

## Public Assistance

According to the 2000 Census, 1,793 households or 4.1 percent of all households in Cochise County received public assistance. The mean or average amount of public assistance income for 1999 was $2,357, a decrease from the 1989 average of $3,530 and $3,677 in 1979. Participation levels in the Food Stamp and Temporary Assistance to Needy Families (TANF) programs serve as indicators of the extent of poverty. In 2000, 9,753 people or 8.3 percent of the population received food stamps. At the same time, 1,085 or 3.5 percent of families were enrolled in TANF.

| Public Assistance (PA) | Base Year | 1990 | 2000 | % Change 1990-2000 | % Change Base Yr-2000 |
|---|---|---|---|---|---|
| Households receiving PA (1980) | 2,024 | 2,999 | 1,793 | -40.2% | -11.4% |
| Persons Food Stamps (1985*) | 8,629 | 11,441 | 9,753 | -14.8% | 13.0% |
| Families AFDC-TANF (1985*) | 901 | 1,459 | 1,085 | -25.6% | 20.4% |

NOTE: Base year in parentheses. *April figures. Source U.S. Census and Arizona Department of Economic Security.

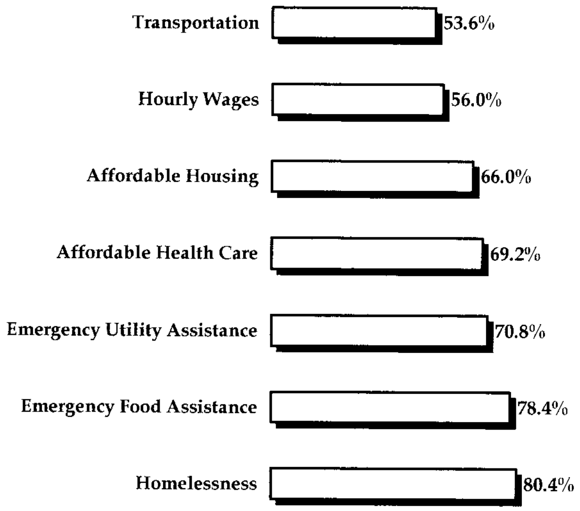
## Self-Sufficiency

According to an Arizona Children's Action Alliance report completed in 2002, "The Self-Sufficiency Standard for Arizona," a single parent with an infant and a preschool-age child needs to earn a minimum of $31,699 annually to cover basic expenses in Cochise County. In comparison, the following chart notes that a two parent household with an infant and a preschool-age child would need to make $38,555 annually, while a single adult would need $14,168 to cover basic living needs in Cochise County.

| Monthly Costs | Adult | Adult + Infant Preschooler | 2 Adults + Infant Preschooler |
|---|---|---|---|
| *Housing* | 396 | 503 | 503 |
| *Child Care* | 0 | 803 | 803 |
| *Food* | 176 | 345 | 496 |
| *Transportation* | 221 | 227 | 437 |
| *Health Care* | 102 | 289 | 358 |
| *Miscellaneous* | 90 | 217 | 260 |
| *Taxes* | 196 | 445 | 537 |
| *Earned Income Tax Credit (-)* | 0 | -7 | 0 |
| *Child Care Tax Credit (-)* | 0 | -80 | -80 |
| *Child Tax Credit* | 0 | -100 | -100 |
| ***Self-Sufficiency Wage:*** | | | |
| *Hourly* | **$6.71** | **$15.01** | **$9.13 Per adult** |
| *Monthly* | **$1,181** | **$2,642** | **$3,213** |
| *Annual* | **$14,168** | **$31,699** | **$38,555** |

## Perceptions from the Community

One meeting was held in Cochise County to discuss poverty issues and solutions for change. Information was also obtained through surveys distributed throughout the county with the help of local agencies. The chart below shows the percentage of participants surveyed who believe conditions have gotten ***worse*** in the following areas over the last ten years:




More specifically, participants indicated that the greatest need is education, basic literacy and skills training. Improvements to the economic base and transportation were noted as necessary to bring more opportunities to the area. Of particular concern were single working mothers who still need assistance. A need for increased domestic violence services were also mentioned along with more accountability and money management for those seeking assistance. Participants also noted long lines for assistance and a 30 percent increase in demand over the last year at Southeastern Arizona food banks.

# Coconino County

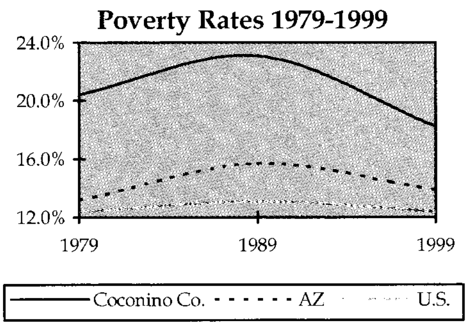
The 2000 Census revealed 116,320 people living in Coconino County, a 20.4 percent increase from the 1990 Census of 96,591. Nearly 22 percent lived on reservation lands including all or parts of the Havasupai, Hopi and Navajo Reservations. In 1999, Coconino County had over 18 percent of its population or 20,609 people living below the poverty level (over 40 percent of those on reservations). The 1999 non-reservation poverty rate was 13.9 percent. Over the last ten years the number of those in poverty remained virtually unchanged helped by significant improvements on reservations.

### Poverty in Selected Communities

| Number of Persons Below Poverty Level (Poverty Rate) | 1989 | 1999 | % Change |
|---|---|---|---|
| Flagstaff | 6,813 (17.2%) | 8,751 (17.4%) | 28.4% |
| Page | 604 (9.2%) | 947 (13.9%) | 56.8% |
| Reservations | 10,520 (49.7%) | 8,283 (33.6%) | -21.3% |
| Coconino County | 20,805 (23.1%) | 20,609 (18.2%) | -0.9% |
| Arizona | 564,362 (15.7%) | 698,669 (13.9%) | 23.8% |

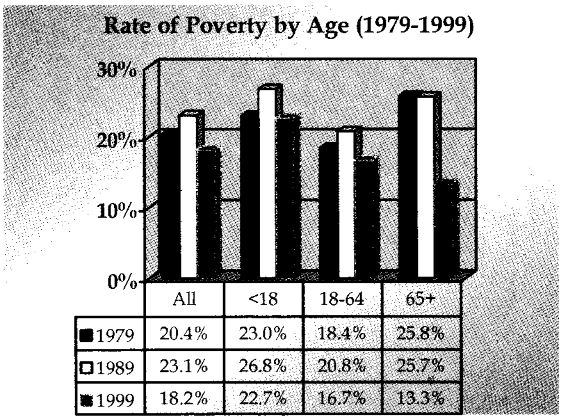
Source: U.S. Census and Research Advisory Services, Inc.

When you compare the number of people in poverty over the last twenty years, Coconino County increased 45.7 percent from 14,141 people below the poverty line in 1979 compared to 20,609 people in 1999. In 1999, Coconino County's poverty rate still remains higher than the state average of 13.9 percent and the national average of 12.4 percent.




## Poverty and Age

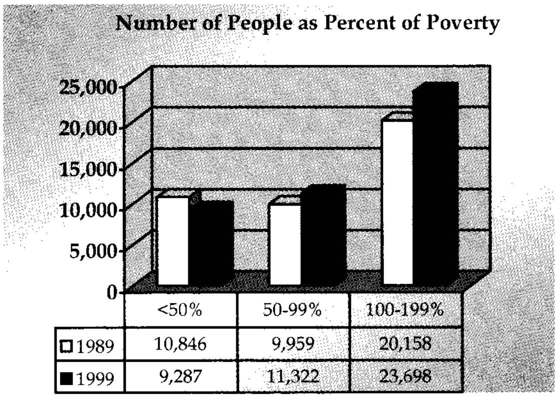
In 1999, among all age categories examined, children under 18 years of age experienced the highest rate of poverty at 22.7 percent, while those 65 and older had the lowest rate at 13.3 percent. Since 1979, the rate has decreased for all age groups with those over 65 improving the most.




Source: U.S Census.

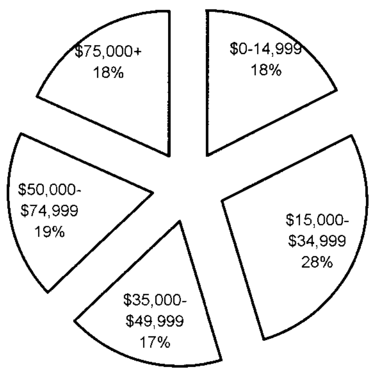
## Poverty and Income Levels

Examination of the income to poverty ratio reveals that 9,287 people or 45.1 percent of those below the poverty rate in Coconino County were ***very poor***, with incomes less than 50 percent of the poverty threshold. Another 23,698 people had incomes equal to or above the poverty level, but less than 199 percent (ACAA's definition of "working poor"). ***In total, there are 44,307 people in Coconino County who are poor or "working poor," 39.2 percent of the county's total population.***




Source: U.S Census.

*1999 Household Income Distribution - Coconino County*




Source: U.S Census. Note: The median household income in Coconino County was $38,256 in 1999 compared to $26,112 in 1989 (46.5 percent increase).

From 1990 to 1999, local total personal income in Coconino County increased about 79 percent compared to the State's nearly 90 percent (according to the Arizona Department of Economic Security). On a per capita basis, the gain of 52 percent was greater than the state's growth of 46 percent. Coconino County per capita income was $21,297 in 1999, about 84.6 percent of the state average, up from 81.6 percent in 1990. Average earnings per job increased 2.9 percent in 1999 to $25,533 - slightly less than the gain for the state at 4.1 percent.

## Poverty and Families

In 1999, the poverty rate among all families with children under 18 years of age living in Coconino County was 18.8 percent. The rates for families with children headed by single females were 43.2 percent and even higher with younger children (less than 5 years) at 55.7 percent. Married couple families with children experienced a much lower rate at 9.6 percent.

| Number Below Poverty Level (Poverty Rate) | 1979 | 1989 | 1999 | % Change '79-'99 |
|---|---|---|---|---|
| All | 2,501 (15.2%) | 3,583 (16.9%) | 3,549 (13.1%) | 41.9% |
| With children under 18 | 1,919 (18.1%) | 2,859 (21.4%) | 2,940 (18.8%) | 53.2% |
| Female-headed with children under 18 | 632 (43.3%) | 1,210 (46.0%) | 1,585 (43.2%) | 150.8% |
| Female headed with children under 5* | 279 (48.9%) | 698 (59.8%) | 834 (55.7%) | 198.9% |

*1979 numbers include 5 year olds. Source: U.S. Census.

## Poverty and Race

Among racial/ethnic groups, American Indians experienced the highest poverty rate at 31.4 percent and Whites had the lowest at 11.3 percent. American Indians were also represented at a disproportionately higher rate among those in poverty than in the overall population. All races in Coconino County saw an improvement in poverty rates from 1989.

| Race Ethnicity | % of Total Population 1999 | % of Poverty Population 1999 | Poverty Rate by Race 1999 | Poverty Rate by Race 1989 |
|---|---|---|---|---|
| White | 63.1% | 40.2% | 11.3% | 11.7% |
| Black | 1.0% | 1.2% | 20.4% | 36.7% |
| American Indian | 28.5% | 50.5% | 31.4% | 45.3% |
| Asian/PI | 0.9% | 0.8% | 15.4% | 38.3% |
| Other | 6.5% | 7.4% | 20.1% | 24.1% |
| Hispanic Origin* | 10.9% | 12.4% | 20.1% | 20.5% |

NOTE: Categories include those identifying themselves as Hispanic. *Those of Hispanic Origin may be of any race. Source: U.S. Census.

## Public Assistance

According to the 2000 Census, 1,549 households or 3.8 percent of all households in Coconino County received public assistance. The mean or average amount of public assistance income for 1999 was $2,504, a decrease from the 1989 average of $3,309 and $3,885 in 1979. Participation levels in the Food Stamp and Temporary Assistance to Needy Families (TANF) programs serve as indicators of the extent of poverty. In 2000, 8,759 people or 7.5 percent of the population received food stamps. At the same time, 914 or 3.4 percent of families were enrolled in TANF.

| Public Assistance (PA) | Base Year | 1990 | 2000 | % Change 1990-2000 | % Change Base Yr-2000 |
|---|---|---|---|---|---|
| Households receiving PA (1980) | 1,489 | 2,641 | 1,549 | -41.3% | 4.0% |
| Persons Food Stamps (1985*) | 8,858 | 10,412 | 8,759 | -15.9% | -1.1% |
| Families AFDC-TANF (1985*) | 914 | 1,108 | 914 | -17.5% | 0.0% |

NOTE: Base year in parentheses. *April figures. Source U.S. Census and Arizona Department of Economic Security.

## Self-Sufficiency

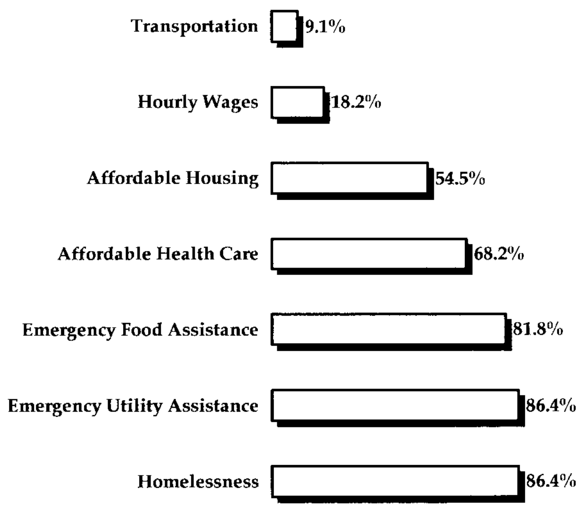
According to an Arizona Children's Action Alliance report completed in 2002, "The Self-Sufficiency Standard for Arizona," a single parent with an infant and a preschool-age child needs to earn a minimum of $39,140 annually to cover basic expenses in Flagstaff. In comparison, the following chart notes that a two parent household with an infant and a preschool-age child would need to make $45,958 annually, while a single adult would need $19,235 to cover basic living needs in Flagstaff.

| Monthly Costs | Adult | Adult + Infant Preschooler | 2 Adults + Infant Preschooler |
|---|---|---|---|
| *Housing* | 685 | 889 | 889 |
| *Child Care* | 0 | 825 | 825 |
| *Food* | 176 | 345 | 496 |
| *Transportation* | 221 | 227 | 437 |
| *Health Care* | 101 | 282 | 351 |
| *Miscellaneous* | 118 | 257 | 300 |
| *Taxes* | 301 | 617 | 713 |
| *Earned Income Tax Credit (-)* | 0 | 0 | 0 |
| *Child Care Tax Credit (-)* | 0 | -80 | -80 |
| *Child Tax Credit* | 0 | -100 | -100 |
| *Self-Sufficiency Wage:* | | | |
| *Hourly* | **$9.11** | **$18.53** | **$10.88 Per adult** |
| *Monthly* | **$1,603** | **$3,262** | **$3,830** |
| *Annual* | **$19,235** | **$39,140** | **$45,958** |

NOTE: Numbers represent those living in Flagstaff only. Costs for living in the balance of Coconino County are 3%-6% less.

## Perceptions from the Community

Two community meetings were held in Coconino County to discuss the major issues regarding poverty. The chart below shows the percentage of participants surveyed who believe conditions have gotten *worse* in the following areas over the last ten years:




More specifically, participants indicated that increasing child care opportunities was a top concern. While transportation was rated low, many did note the lack of public transportation outside of Flagstaff. Other specific issues raised included the need for dental services and improved access to mental health services. Many also indicated that the area is witnessing many new families seeking services that never sought them before.

# Gila County

The 2000 Census revealed 51,335 people living in Gila County, a 27.6 percent increase from the 1990 Census of 40,216. In 1999, Gila County had over 17 percent of its population or 8,752 people living below the poverty level. That rate drops to 12.8% for people not living on reservation lands (Fort Apache, San Carlos and Tonto Apache Reservations).

While the overall percentage of people in poverty decreased over the last ten years, the number of people in poverty did not. Gila County experienced a 21.0 percent increase since 1989 when 7,234 people or 18.3 percent of the county's population lived in poverty.

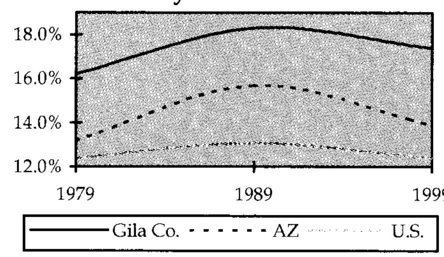
### Poverty in Selected Communities

| Number of Persons Below Poverty Level (Poverty Rate) | 1989 | 1999 | % Change |
|---|---|---|---|
| Globe | 682 (11.7%) | 793 (11.4%) | 16.3% |
| Payson | 984 (11.9%) | 1,360 (9.9%) | 38.2% |
| San Carlos | 1,728 (58.8%) | 2,236 (58.8%) | 29.4% |
| Reservations | 4,892 (53.4%) | 3,133 (49.4%) | -36.0% |
| Gila County | 7,234 (18.3%) | 8,752 (17.4%) | 21.0% |
| Arizona | 564,362 (15.7%) | 698,669 (13.9%) | 23.8% |

Source: U.S. Census and Research Advisory Services, Inc.

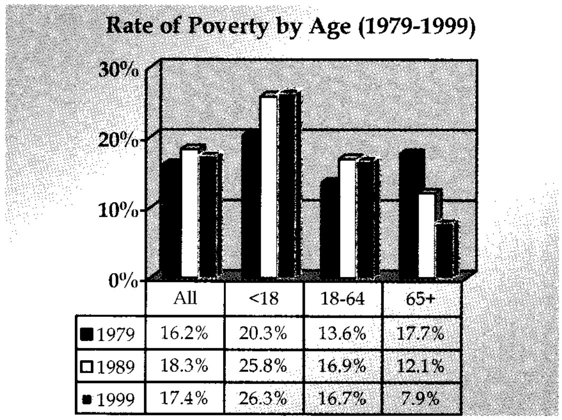
When you compare poverty rates over the last twenty years, Gila County's poverty rate increased from 16.2 percent in 1979 to 17.4 percent in 1999, 5,961 to 8,752 people respectively. In 1999, Gila County's poverty rate still remains higher than the state average of 13.9 percent and the national average of 12.4 percent.

**Poverty Rates 1979-1999**




## Poverty and Age

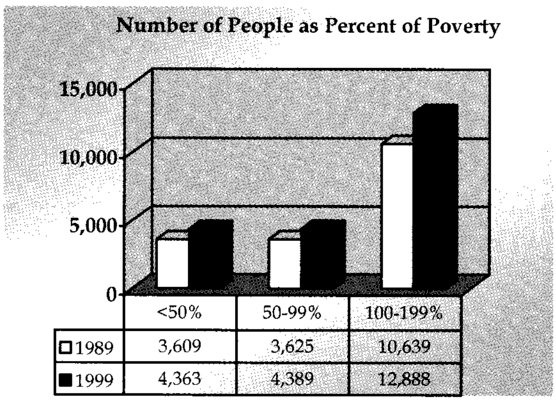
In 1999, among all age categories examined, children under 18 years of age experienced the highest rate of poverty at 26.3 percent, while those 65 and older had the lowest rate at 7.9 percent. Over the last twenty years, the rate of poverty has increased for all age groups, except those over 65 who experienced a significant improvement from 17.7 percent in 1979 to 7.9 percent in 1999.




Source: U.S Census.

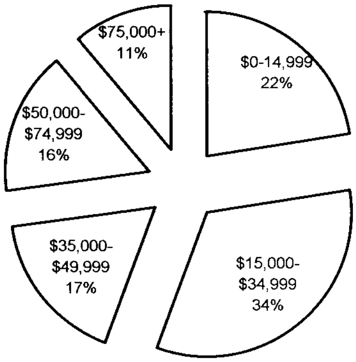
## Poverty and Income Levels

Examination of the income to poverty ratio reveals that 4,363 people or half of those below the poverty rate in Gila County were ***very poor***, with incomes less than 50 percent of the poverty threshold. Another 12,888 people had incomes equal to or above the poverty level, but less than 199 percent (ACAA's definition of "working poor"). ***In total, there are 21,640 people in Gila County who are poor or "working poor," 43.1 percent of the county's total population.***




Source: U.S Census.

*1999 Household Income Distribution - Gila County*




Source: U.S Census. Note: The median household income in Gila County was $30,917 in 1999 compared to $20,964 in 1989 (47.5 percent increase).

From 1990 to 1999, local total personal income in Gila County increased 71.7 percent compared to the state's almost 90 percent (according to the Arizona Department of Economic Security). On a per capita basis, the gain of 41.3 percent was close to 5 percent below the state's growth of 46.3 percent. Gila County per capita income was $19,002 in 1999, about 75.5 percent of the state average, down from 78.1 percent in 1990. Average earnings per job increased 2.3 percent in 1999 to $23,828, approximately one half the gain of the state at 4.1 percent.

## Poverty and Families

In 1999, the poverty rate among all families with children under 18 years of age living in Gila County was 22 percent. The rates for families with children headed by single females were 43.8 percent and even higher with younger children (less than 5 years) at 58.9 percent. Married couple families with children experienced a much lower rate at 13.5 percent.

| Number Below Poverty Level (Poverty Rate) | 1979 | 1989 | 1999 | % Change '79-'99 |
|---|---|---|---|---|
| All | 1,281 (12.8%) | 1,514 (13.5%) | 1,785 (12.6%) | 39.3% |
| With children under 18 | 846 (16.5%) | 1,110 (22.1%) | 1,348 (22.0%) | 59.3% |
| Female-headed with children under 18 | 315 (43.1%) | 523 (56.4%) | 634 (43.8%) | 101.3% |
| Female headed with children under 5* | 211 (64.5%) | 358 (78.9%) | 298 (58.9%) | 41.2% |

*1979 numbers include 5 year olds. Source: U.S. Census.

## Poverty and Race

Among racial/ethnic groups, American Indians experienced the highest poverty rate at 45.7 percent and Blacks had the lowest at 2.5 percent. American Indians were also represented at a disproportionately higher rate among those in poverty than in the overall population. All races in Gila County saw an improvement in poverty rates from 1989 except those of Other races and of Hispanic Origin.

| Race Ethnicity | % of Total Population 1999 | % of Poverty Population 1999 | Poverty Rate by Race 1999 | Poverty Rate by Race 1989 |
|---|---|---|---|---|
| White | 77.8% | 54.2% | 11.9% | 13.1% |
| Black | 0.4% | 0.1% | 2.5% | 7.8% |
| American Indian | 12.9% | 34.6% | 45.7% | 52.2% |
| Asian/PI | 0.5% | 0.3% | 9.7% | 11.8% |
| Other | 8.4% | 10.8% | 22.0% | 14.9% |
| Hispanic Origin* | 16.6% | 17.6% | 18.0% | 14.8% |

NOTE: Categories include those identifying themselves as Hispanic. *Those of Hispanic Origin may be of any race. Source: U.S. Census.

## Public Assistance

According to the 2000 Census, 954 households or 4.7 percent of all households in Gila County received public assistance. The mean or average amount of public assistance income for 1999 was $2,525, a decrease from the 1989 average of $3,733 and $4,142 in 1979. Participation levels in the Food Stamp and Temporary Assistance to Needy Families (TANF) programs serve as indicators of the extent of poverty. In 2000, 5,652 people or 11 percent of the population received food stamps. At the same time, 770 or 5.4 percent of families were enrolled in TANF.

| Public Assistance (PA) | Base Year | 1990 | 2000 | % Change 1990-2000 | % Change Base Yr-2000 |
|---|---|---|---|---|---|
| Households receiving PA (1980) | 850 | 1,477 | 954 | -35.4% | 12.2% |
| Persons Food Stamps (1985*) | 5,521 | 7,023 | 5,652 | -19.5% | 2.4% |
| Families AFDC-TANF (1985*) | 596 | 771 | 770 | -0.1% | 29.2% |

NOTE: Base year in parentheses. *April figures. Source U.S. Census and Arizona Department of Economic Security.

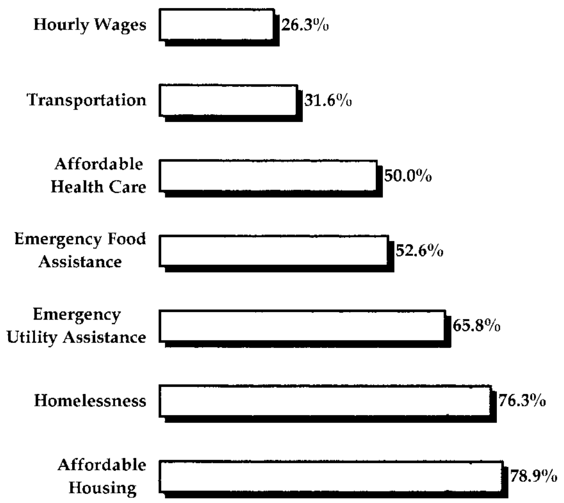
## Self-Sufficiency

According to an Arizona Children's Action Alliance report completed in 2002, "The Self-Sufficiency Standard for Arizona," a single parent with an infant and a preschool-age child needs to earn a minimum of $33,204 annually to cover basic expenses in Gila County. In comparison, the following chart notes that a two parent household with an infant and a preschool-age child would need to make $39,953 annually, while a single adult would need $14,175 to cover basic living needs in Gila County.

| Monthly Costs | Adult | Adult + Infant Preschooler | 2 Adults + Infant Preschooler |
|---|---|---|---|
| *Housing* | 396 | 503 | 503 |
| *Child Care* | 0 | 880 | 880 |
| *Food* | 176 | 345 | 496 |
| *Transportation* | 221 | 227 | 437 |
| *Health Care* | 102 | 289 | 358 |
| *Miscellaneous* | 90 | 224 | 267 |
| *Taxes* | 196 | 479 | 569 |
| *Earned Income Tax Credit (-)* | 0 | 0 | 0 |
| *Child Care Tax Credit (-)* | 0 | -80 | -80 |
| *Child Tax Credit* | 0 | -100 | -100 |
| ***Self-Sufficiency Wage:*** | | | |
| *Hourly* | **$6.71** | **$15.72** | **$9.46 Per adult** |
| *Monthly* | **$1,181** | **$2,767** | **$3,329** |
| *Annual* | **$14,175** | **$33,204** | **$39,953** |

## Perceptions from the Community

Two community meetings were held in Gila County to discuss the major issues regarding poverty and possible solutions. The chart below shows the percentage of participants surveyed who believe conditions have gotten ***worse*** in the following areas over the last ten years:




More specifically, participants indicated that one of the biggest concerns was the need for more mental health services including drug and alcohol programs. Transportation was another area of concern with participants agreeing that vehicle ownership was necessary for the working poor but too expensive for most to afford. Participants also cited specific employment issues including:

- The lack of new jobs
- Retraining needed for lost industries
- Minimum wage jobs not sufficient to pay bills

# Graham County

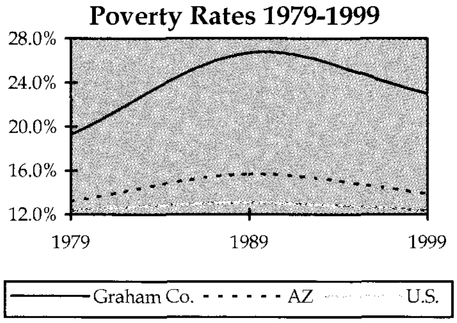
The 2000 Census revealed 33,489 people living in Graham County, a 26.1 percent increase from the 1990 Census of 26,554. In 1999, Graham County had 23 percent of its population or 6,952 people living below the poverty level. While the overall percentage of people in poverty decreased over the last ten years, the number of people in poverty did not. Graham County experienced a 6.6 percent increase since 1989 when 6,523 people or 26.7 percent of the county's population lived in poverty. In 1999, people living on the San Carlos Reservation accounted for 15 percent of the population in Graham County. The poverty rate for those 4,578 persons was 48.4 percent.

### Poverty in Selected Communities

| Number of Persons Below Poverty Level (Poverty Rate) | 1989 | 1999 | % Change |
|---|---|---|---|
| Safford | 1,431 (20.1%) | 1,565 (17.3%) | 9.4% |
| Thatcher | 810 (22.6%) | 758 (20.2%) | -6.4% |
| Reservation | 3,644 (63.7%) | 2,218 (48.4%) | -39.1% |
| Graham County | 6,523 (26.7%) | 6,952 (23.0%) | 6.6% |
| Arizona | 564,362 (15.7%) | 698,669 (13.9%) | 23.8% |

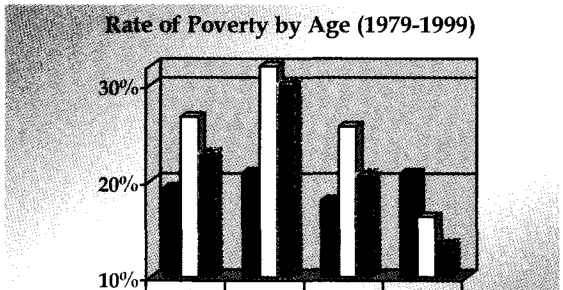
Source: U.S. Census and Research Advisory Services, Inc.

When you compare poverty rates over the last twenty years, Graham County's poverty rate increased from 19.3 percent in 1979 to 23.0 percent in 1999, 4,132 to 6,952 people respectively. In 1999, Graham County's poverty rate is almost double the state average of 13.9 percent and the national average of 12.4 percent.




### Poverty and Age

In 1999, among all age categories examined, children under 18 years of age experienced the highest rate of poverty at 30.2 percent, while those 65 and older had the lowest rate at 13.6 percent. Over the last twenty years, the rate of poverty has increased for all age groups, except those over 65 who experienced an improvement from 20.8 percent in 1979 to 13.6 percent in 1999.

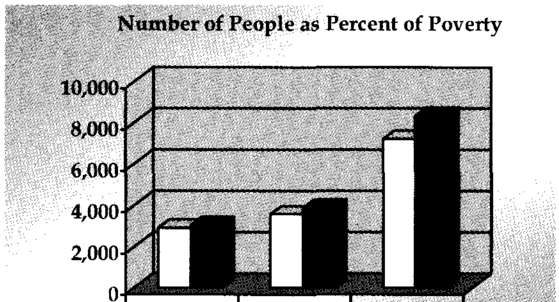



| | All | <18 | 18-64 | 65+ |
|---|---|---|---|---|
| ■1979 | 19.3% | 20.9% | 18.0% | 20.8% |
| □1989 | 26.7% | 32.0% | 25.7% | 16.3% |
| ■1999 | 23.0% | 30.2% | 20.8% | 13.6% |

Source: U.S Census.

## Poverty and Income Levels

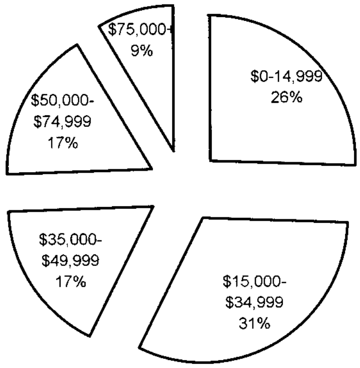
Examination of the income to poverty ratio reveals that 3,058 people or 44 percent of those below the poverty rate in Graham County were ***very poor,*** with incomes less than 50 percent of the poverty threshold. Another 8,355 people had incomes equal to or above the poverty level, but less than 199 percent (ACAA's definition of "working poor"). ***In total, there are 15,307 people in Graham County who are poor or "working poor," 50.6 percent of the county's total population.***




| | <50% | 50-99% | 100-199% |
|---|---|---|---|
| □1989 | 2,928 | 3,595 | 7,247 |
| ■1999 | 3,058 | 3,894 | 8,355 |

Source: U.S Census.

*1999 Household Income Distribution - Graham County*




Source: U.S Census. Note: The median household income in Graham County was $29,668 in 1999 compared to $18,455 in 1989 (60.8 percent increase).

From 1990 to 1999, local total personal income in Graham County increased 72.5 percent compared to the state's almost 90 percent (according to the Arizona Department of Economic Security). On a per capita basis, the gain of 43.3 percent was just below the state's growth of 46.3 percent. Graham County per capita income was $14,719 in 1999, about 58.5 percent of the state average, down from 59.7 percent in 1990. Average wage per job increased 3.3 percent in 1999 to a level of $22,677 - 0.8 percent less than the state's gain of 4.1 percent.

## Poverty and Families

In 1999, the poverty rate among all families with children under 18 years of age living in Graham County was 24.9 percent. The rates for families with children headed by single females were 52.2 percent and even higher with younger children (less than 5 years) at 62.1 percent. Married couple families with children experienced a much lower rate at 15.7 percent.

| Number Below Poverty Level (Poverty Rate) | 1979 | 1989 | 1999 | % Change '79-'99 |
|---|---|---|---|---|
| All | 820 (15.2%) | 1,369 (21.9%) | 1,363 (17.7%) | 66.2% |
| With children under 18 | 602 (18.3%) | 1,067 (29.4%) | 1,115 (24.9%) | 85.2% |
| Female-headed with children under 18 | 256 (51.9%) | 467 (60.0%) | 549 (52.2%) | 114.5% |
| Female headed with children under 5* | 122 (53.7%) | 213 (64.2%) | 229 (62.1%) | 87.7% |

*1979 numbers include 5 year olds. Source: U.S. Census.

## Poverty and Race

Among racial/ethnic groups, American Indians experienced the highest poverty rate at 45.5 percent and Asian/Pacific Islanders had the lowest at 12.9 percent. American Indians were also represented at a disproportionately higher rate among those in poverty than in the overall population. All races in Graham County saw an improvement in poverty rates from 1989.

| Race Ethnicity | % of Total Population 1999 | % of Poverty Population 1999 | Poverty Rate by Race 1999 | Poverty Rate by Race 1989 |
|---|---|---|---|---|
| White | 67.1% | 46.1% | 14.2% | 19.1% |
| Black | 1.9% | 2.5% | 27.7% | 31.2% |
| American Indian | 14.9% | 32.7% | 45.5% | 61.9% |
| Asian/PI | 0.6% | 0.4% | 12.9% | 29.8% |
| Other | 15.5% | 18.3% | 24.6% | 38.7% |
| Hispanic Origin* | 27.0% | 31.9% | 24.5% | 31.2% |

NOTE: Categories include those identifying themselves as Hispanic. *Those of Hispanic Origin may be of any race. Source: U.S. Census.

## Public Assistance

According to the 2000 Census, 698 households or 6.9 percent of all households in Graham County received public assistance. The mean or average amount of public assistance income for 1999 was $2,684, a decrease from the 1989 average of $3,806 and $3,586 in 1979. Participation levels in the Food Stamp and Temporary Assistance to Needy Families (TANF) programs serve as indicators of the extent of poverty. In 2000, 3,700 people or 11 percent of the population received food stamps. At the same time, 392 or 5.1 percent of families were enrolled in TANF.

| Public Assistance (PA) | Base Year | 1990 | 2000 | % Change 1990-2000 | % Change Base Yr-2000 |
|---|---|---|---|---|---|
| Households receiving PA (1980) | 536 | 1.033 | 698 | -32.4% | 30.2% |
| Persons Food Stamps (1985*) | 4,214 | 4,639 | 3,700 | -20.2% | -12.2% |
| Families AFDC-TANF (1985*) | 427 | 573 | 392 | -31.6% | -8.2% |

NOTE: Base year in parentheses. *April figures. Source U.S. Census and Arizona Department of Economic Security.

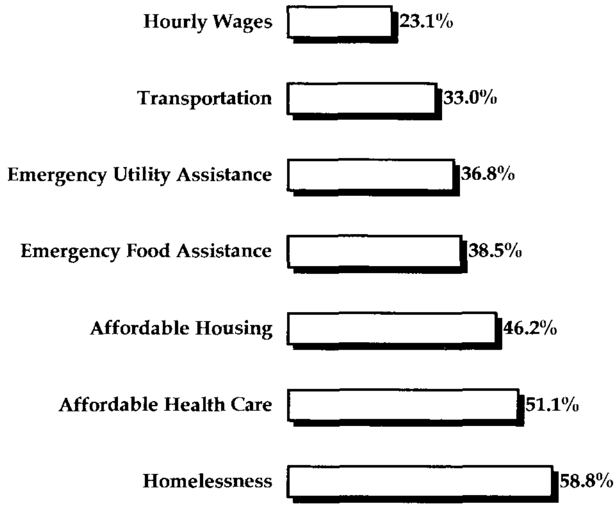
## Self-Sufficiency

According to an Arizona Children's Action Alliance report completed in 2002, "The Self-Sufficiency Standard for Arizona," a single parent with an infant and a preschool-age child needs to earn a minimum of $31,699 annually to cover basic expenses in Graham County. In comparison, the following chart notes that a two parent household with an infant and a preschool-age child would need to make $38,555 annually, while a single adult would need $14,168 to cover basic living needs in Graham County.

| Monthly Costs | Adult | Adult + Infant Preschooler | 2 Adults + Infant Preschooler |
|---|---|---|---|
| *Housing* | 396 | 503 | 503 |
| *Child Care* | 0 | 803 | 803 |
| *Food* | 176 | 345 | 496 |
| *Transportation* | 221 | 227 | 437 |
| *Health Care* | 102 | 289 | 358 |
| *Miscellaneous* | 90 | 217 | 260 |
| *Taxes* | 196 | 445 | 537 |
| *Earned Income Tax Credit (-)* | 0 | -7 | 0 |
| *Child Care Tax Credit (-)* | 0 | -80 | -80 |
| *Child Tax Credit* | 0 | -100 | -100 |
| *Self-Sufficiency Wage:* | | | |
| *Hourly* | **$6.71** | **$15.01** | **$9.13 Per adult** |
| *Monthly* | **$1,181** | **$2,642** | **$3,213** |
| *Annual* | **$14,168** | **$31,699** | **$38,555** |

## Perceptions from the Community

Information on community attitudes about poverty was obtained through surveys distributed throughout Graham County with the help of local agencies. The chart below shows the percentage of participants surveyed who believe conditions have gotten ***worse*** in the following areas over the last ten years:




More specifically, participants expressed concerns over the availability of well paying jobs. The following comments were made:

- Families need college education and job training assistance
- Job benefits are needed (health, education)
- People need more than part-time work

Other community concerns included the need for affordable housing, expanded and flexible child care and transportation. A common sentiment was that those who are working need additional supports.

# Greenlee County

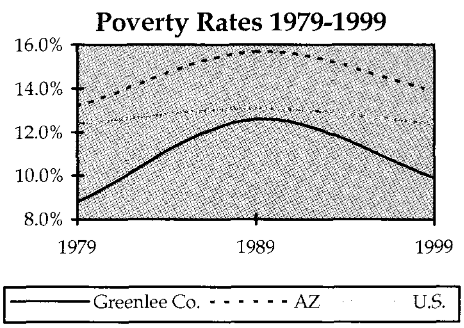
The 2000 Census revealed 8,547 people living in Greenlee County, a 6.7 percent increase from the 1990 Census of 8,008. In 1999, Greenlee County had almost 10 percent of its population or 842 people living below the poverty level. Greenlee County experienced a 16.6 percent decrease since 1989 when 1,010 people or 12.6 percent of the county's population lived in poverty.

### Poverty in Selected Communities

| Number of Persons Below Poverty Level (Poverty Rate) | 1989 | 1999 | % Change |
|---|---|---|---|
| Clifton | 367 (13.3%) | 292 (11.5%) | -20.4% |
| Duncan | 124 (18.8%) | 133 (16.5%) | 7.3% |
| Greenlee County | 1,010 (12.6%) | 842 (9.9%) | -16.6% |
| Arizona | 564,362 (15.7%) | 698,669 (13.9%) | 23.8% |

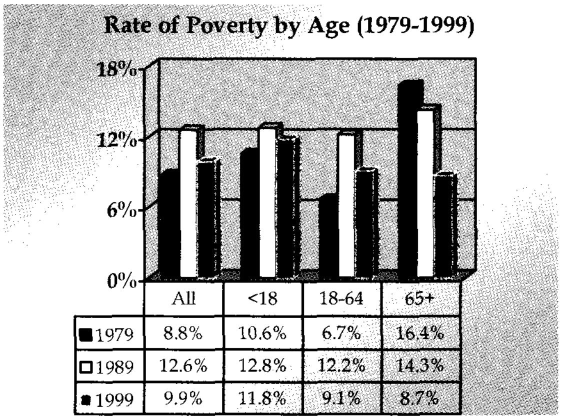
Source: U.S. Census and Research Advisory Services, Inc.

Between 1989 and 1979 the number of people in poverty remained virtually unchanged in Greenlee County despite a drop in population of nearly 30 percent from 11,406 to 8,008 persons. These trends changed during the 1990's, when Greenlee County experienced an increase in population along with a decrease in the number of people in poverty. Greenlee County continues to have the lowest poverty rate of all Arizona Counties. In 1999, Greenlee County's poverty rate remains lower than the state average of 13.9 percent and the national average of 12.4 percent.




## Poverty and Age

In 1999, among all age categories examined, children under 18 years of age experienced the highest rate of poverty at 11.8 percent, while those 65 and older had the lowest rate at 8.7 percent. Over the last twenty years, the rate of poverty has increased for all age groups, except those over 65 who experienced a significant improvement from 16.4 percent in 1979 to 8.7 percent in 1999.

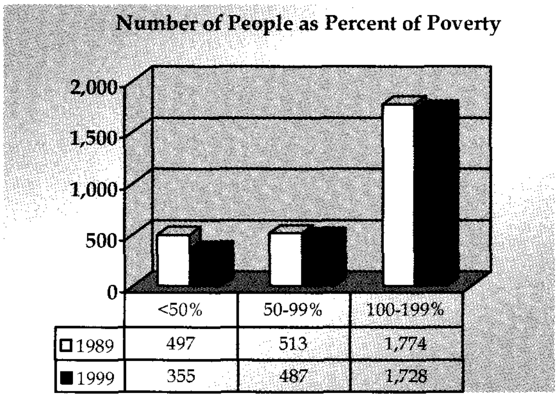



| | All | <18 | 18-64 | 65+ |
|---|---|---|---|---|
| ■1979 | 8.8% | 10.6% | 6.7% | 16.4% |
| □1989 | 12.6% | 12.8% | 12.2% | 14.3% |
| ■1999 | 9.9% | 11.8% | 9.1% | 8.7% |

Source: U.S Census.

## Poverty and Income Levels

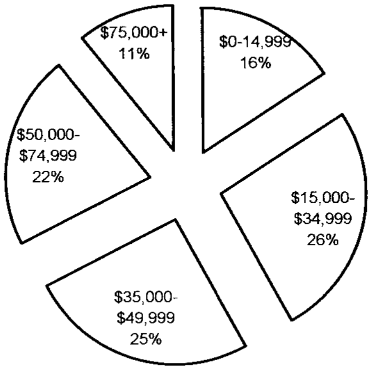
Examination of the income to poverty ratio reveals that 355 people or 42.2 percent of those below the poverty rate in Greenlee County were *very poor,* with incomes less than 50 percent of the poverty threshold. Another 1,728 people had incomes equal to or above the poverty level, but less than 199 percent (ACAA's definition of "working poor"). ***In total, there are 2,570 people in Greenlee County who are poor or "working poor," 30.3 percent of the county's total population.***




| | <50% | 50-99% | 100-199% |
|---|---|---|---|
| □1989 | 497 | 513 | 1,774 |
| ■1999 | 355 | 487 | 1,728 |

Source: U.S Census.

*1999 Household Income Distribution – Greenlee County*




Source: U.S Census. Note: The median household income in Greenlee County was $39,384 in 1999 compared to $27,491 in 1989 (43.3 percent increase).

From 1990 to 1999, local total personal income in Greenlee County increased 64.7 percent compared to the state's roughly 90 percent (according to the Arizona Department of Economic Security). On a per capita basis, the gain of 46.8 percent was 0.5 percent higher than the state's growth of 46.3 percent. Greenlee County per capita income was $19,237 in 1999, about 76.4 percent of the state average, up from 76.1 percent in 1990. Average earnings per job increased by 0.6 percent in 1999 and was 13.2 percent higher than the state's level.

## Poverty and Families

In 1999, the poverty rate among all families with children under 18 years of age living in Greenlee County was 9.5 percent. The rates for families with children headed by single females were 40.9 percent and even higher with younger children (less than 5 years) at 52.6 percent. Married couple families with children experienced a much lower rate at 2.7 percent.

| Number Below Poverty Level (Poverty Rate) | 1979 | 1989 | 1999 | % Change '79-'99 |
|---|---|---|---|---|
| All | 203 (6.8%) | 233 (10.8%) | 181 (8.0%) | -10.8% |
| With children under 18 | 166 (8.8%) | 150 (11.3%) | 130 (9.5%) | -21.7% |
| Female-headed with children under 18 | 65 (54.2%) | 82 (48.8%) | 88 (40.9%) | 35.4% |
| Female headed with children under 5* | 48 (66.7%) | 33 (70.2%) | 40 (52.6%) | -16.7% |

*1979 numbers include 5 year olds. Source: U.S. Census.

## Poverty and Race

Among racial/ethnic groups, other races and those of Hispanic Origin experienced the highest poverty rate at 11.7 percent and 11.5 percent respectively. All races in Greenlee County saw an improvement in poverty rates from 1989 except Blacks and American Indians where the rate increased by 4.5 and 1.8 percentage points respectively.

| Race Ethnicity | % of Total Population 1999 | % of Poverty Population 1999 | Poverty Rate by Race 1999 | Poverty Rate by Race 1989 |
|---|---|---|---|---|
| White | 74.2% | 70.9% | 9.4% | 13.0% |
| Black | 0.5% | 0.2% | 4.5% | - |
| American Indian | 1.7% | 1.1% | 6.3% | 4.5% |
| Asian/PI | 0.2% | 0.0% | 0.0% | - |
| Other | 23.5% | 27.8% | 11.7% | 12.7% |
| Hispanic Origin* | 43.1% | 50.4% | 11.5% | 15.4% |

NOTE: Categories include those identifying themselves as Hispanic. *Those of Hispanic Origin may be of any race. Source: U.S. Census.

## Public Assistance

According to the 2000 Census, 121 households or 3.9 percent of all households in Greenlee County received public assistance. The mean or average amount of public assistance income for 1999 was $2,134, a decrease from the 1989 average of $3,980 and $4,113 in 1979. Participation levels in the Food Stamp and Temporary Assistance to Needy Families (TANF) programs serve as indicators of the extent of poverty. In 2000, 471 people or 5.5 percent of the population received food stamps. At the same time, 54 or 2.4 percent of families were enrolled in TANF.

| Public Assistance (PA) | Base Year | 1990 | 2000 | % Change 1990-2000 | % Change Base Yr-2000 |
|---|---|---|---|---|---|
| Households receiving PA (1980) | 213 | 222 | 121 | -45.5% | -43.2% |
| Persons Food Stamps (1985*) | 1,470 | 876 | 471 | -46.2% | -68.0% |
| Families AFDC-TANF (1985*) | 84 | 114 | 54 | -52.6% | -35.7% |

NOTE: Base year in parentheses. *April figures. Source U.S. Census and Arizona Department of Economic Security.

## Self-Sufficiency

According to an Arizona Children's Action Alliance report completed in 2002, "The Self-Sufficiency Standard for Arizona," a single parent with an infant and a preschool-age child needs to earn a minimum of $31,699 annually to cover basic expenses in Greenlee County. In comparison, the following chart notes that a two parent household with an infant and a preschool-age child would need to make $38,555 annually, while a single adult would need $14,168 to cover basic living needs in Greenlee County.

| Monthly Costs | Adult | Adult + Infant Preschooler | 2 Adults + Infant Preschooler |
|---|---|---|---|
| *Housing* | 396 | 503 | 503 |
| *Child Care* | 0 | 803 | 803 |
| *Food* | 176 | 345 | 496 |
| *Transportation* | 221 | 227 | 437 |
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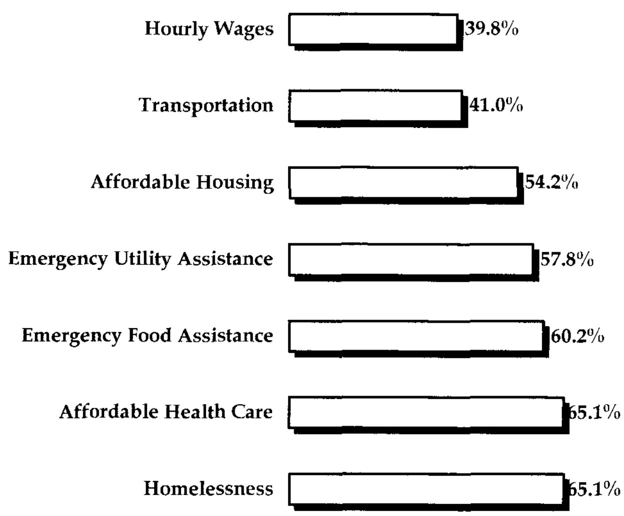
| *Child Care Tax Credit (-)* | 0 | -80 | -80 |
| *Child Tax Credit* | 0 | -100 | -100 |
| *Self-Sufficiency Wage:* | | | |
| *Hourly* | **$6.71** | **$15.01** | **$9.13 Per adult** |
| *Monthly* | **$1,181** | **$2,642** | **$3,213** |
| *Annual* | **$14,168** | **$31,699** | **$38,555** |

## Perceptions from the Community

Information on community attitudes about poverty was obtained through surveys distributed throughout Greenlee County with the help of local agencies. The chart below shows the percentage of participants surveyed who believe conditions have gotten *worse* in the following areas over the last ten years:




More specifically, participants expressed a major concern over the lack of jobs and the lack of transportation services. Others noted that there are no job training programs in the county and the fact that many more people are living with other family members to make ends meet.

# La Paz County

The 2000 Census revealed 19,715 people living in La Paz County, a 42.4 percent increase from the 1990 Census of 13,844. Those living on the Colorado River Reservation represented 37 percent of the total. In 1999, La Paz County had almost 20 percent of its population or 3,798 people living below the poverty level. The rate goes up to 22.2 percent for those living on the Colorado River Reservation.

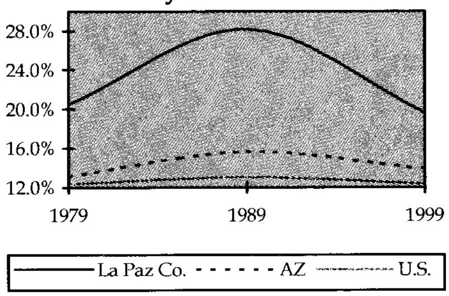
### Poverty in Selected Communities

| Number of Persons Below Poverty Level (Poverty Rate) | 1989 | 1999 | % Change |
|---|---|---|---|
| Parker | 492 (17.0%) | 460 (14.7%) | -6.5% |
| Quartzsite | 430 (23.5%) | 457 (13.5%) | 6.3% |
| Reservation | 1,913 (28.2) | 1,590 (22.2%) | -16.9% |
| La Paz County | 3,875 (28.2%) | 3,798 (19.6%) | -2.0% |
| Arizona | 564,362 (15.7%) | 698,669 (13.9%) | 23.8% |

Source: U.S. Census and Research Advisory Services, Inc.

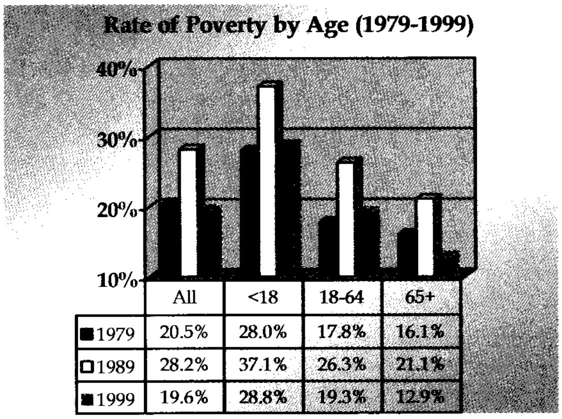
Over the last ten years, the number of people in poverty decreased by 77 persons in La Paz County. During the same period, the number of people in poverty decreased 16.9 percent on the Colorado River Reservation. When you compare the numbers over the last twenty years, there were 1,445 more people living in poverty in La Paz County, up from 2,353 in 1979. In 1999, La Paz County's poverty rate still remains higher than the state average of 13.9 percent and the national average of 12.4 percent.

**Poverty Rates 1979-1999**




## Poverty and Age

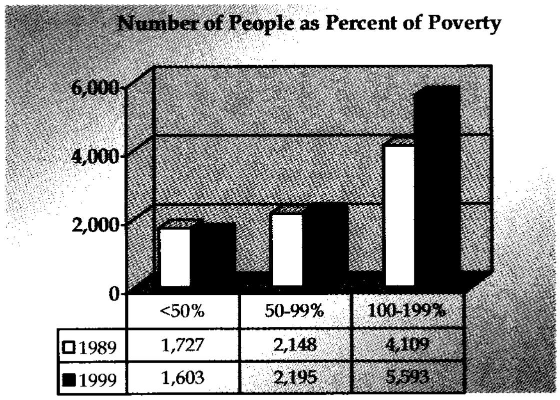
In 1999, among all age categories examined, children under 18 years of age experienced the highest rate of poverty at 28.8 percent, while those 65 and older had the lowest rate at 12.9 percent. Over the last twenty years, the rate of poverty has increased for all age groups, except those over 65 who experienced an improvement from 16.1 percent in 1979 to 12.9 percent in 1999.




Source: U.S Census.

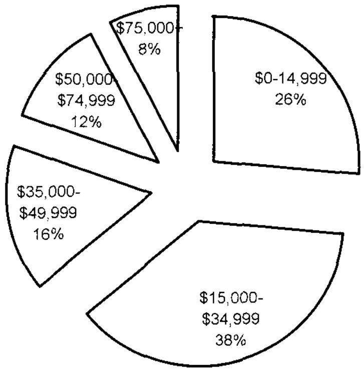
## Poverty and Income Levels

Examination of the income to poverty ratio reveals that 1,603 people or 42.2 percent of those below the poverty rate in La Paz County were *very poor,* with incomes less than 50 percent of the poverty threshold. Another 5,593 people had incomes equal to or above the poverty level, but less than 199 percent (ACAA's definition of "working poor"). ***In total, there are 9,391 people in La Paz County who are poor or "working poor," 48.4 percent of the county's total population.***




Source: U.S Census.

*1999 Household Income Distribution - La Paz County*




Source: U.S Census. Note: The median household income in La Paz County was $25,839 in 1999 compared to $16,555 in 1989 (56.1 percent increase).

From 1990 to 1999, local total personal income in La Paz County increased 48.6 percent compared to the state's nearly 90 percent (according to the Arizona Department of Economic Security). On a per capita basis, the gain of 38.6 percent was 7.7 percent below the state's growth of 46.3 percent. La Paz County per capita income was $22,133 in 1999, about 87.9 percent of the state average, down from 92.8 percent in 1990. Average wage per job increased about 2 percent in 1999 to a level of $23,567 - only 75 percent of the state's level.

## Poverty and Families

In 1999, the poverty rate among all families with children under 18 years of age living in La Paz County was 22.6 percent. The rates for families with children headed by single females were 43.9 percent and even higher with younger children (less than 5 years) at 53 percent. Married couple families with children experienced a much lower rate at 14.6 percent.

| Number Below Poverty Level (Poverty Rate) | 1989 | 1999 | % Change '89-'99 |
|---|---|---|---|
| All | 906 (23.6%) | 764 (13.6%) | -15.7% |
| With children under 18 | 563 (31.4%) | 463 (22.6%) | -17.8% |
| Female-headed with children under 18 | 567 (60.3%) | 230 (43.9%) | -59.4% |
| Female headed with children under 5* | 106 (66.7%) | 79 (53.0%) | -25.5% |

*1979 numbers include 5 year olds. Source: U.S. Census.

## Poverty and Race

Among racial/ethnic groups, American Indians experienced the highest poverty rate at 32 percent and Asian/Pacific Islanders had the lowest at 2 percent. American Indians and those of Hispanic Origin were also represented at a disproportionately higher rate among those in poverty than in the overall population. All races in La Paz County saw an improvement in poverty rates from 1989.

| Race Ethnicity | % of Total Population 1999 | % of Poverty Population 1999 | Poverty Rate by Race 1999 | Poverty Rate by Race 1989 |
|---|---|---|---|---|
| White | 74.2% | 62.5% | 16.2% | 24.2% |
| Black | 0.8% | 1.3% | 31.6% | 84.2% |
| American Indian | 12.5% | 20.8% | 32.0% | 37.7% |
| Asian/PI | 0.5% | 0.1% | 2.0% | 29.9% |
| Other | 12.0% | 15.4% | 24.6% | 45.1% |
| Hispanic Origin* | 22.4% | 33.2% | 28.5% | 35.9% |

NOTE: Categories include those identifying themselves as Hispanic. *Those of Hispanic Origin may be of any race. Source: U.S. Census.

## Public Assistance

According to the 2000 Census, 258 households or 3.1 percent of all households in La Paz County received public assistance. The mean or average amount of public assistance income for 1999 was $3,005, a decrease from the 1989 average of $3,972. Participation levels in the Food Stamp and Temporary Assistance to Needy Families (TANF) programs serve as indicators of the extent of poverty. In 2000, 1,226 people or 6.2 percent of the population received food stamps. At the same time, 137 or 2.4 percent of families were enrolled in TANF.

| Public Assistance (PA) | Base Year | 1990 | 2000 | % Change 1990-2000 | % Change Base Yr-2000 |
|---|---|---|---|---|---|
| Households receiving PA (1980) | NA | 492 | 258 | -47.6% | NA |
| Persons Food Stamps (1985*) | 1,174 | 1,424 | 1,226 | -13.9% | 4.4% |
| Families AFDC-TANF (1985*) | 104 | 182 | 137 | -24.7% | 31.7% |

NOTE: Base year in parentheses. *April figures. Source U.S. Census and Arizona Department of Economic Security.

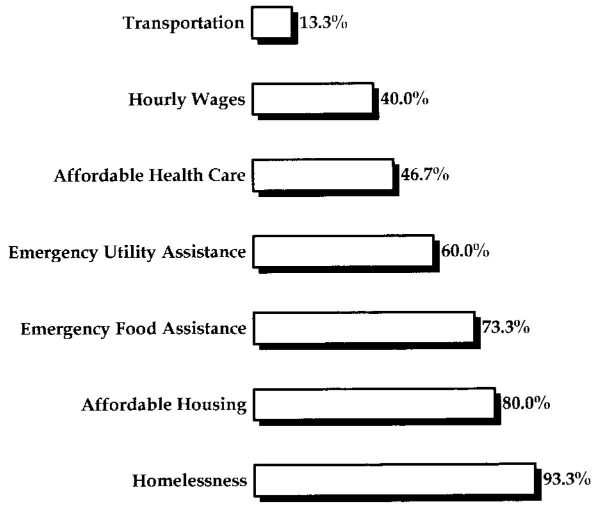
## Self-Sufficiency

According to an Arizona Children's Action Alliance report completed in 2002, "The Self-Sufficiency Standard for Arizona," a single parent with an infant and a preschool-age child needs to earn a minimum of $31,238 annually to cover basic expenses in La Paz County. In comparison, the following chart notes that a two parent household with an infant and a preschool-age child would need to make $38,373 annually, while a single adult would need $14,296 to cover basic living needs in La Paz County.

| Monthly Costs | Adult | Adult + Infant Preschooler | 2 Adults + Infant Preschooler |
|---|---|---|---|
| *Housing* | 396 | 503 | 503 |
| *Child Care* | 0 | 781 | 781 |
| *Food* | 176 | 345 | 496 |
| *Transportation* | 230 | 235 | 453 |
| *Health Care* | 101 | 283 | 352 |
| *Miscellaneous* | 90 | 215 | 258 |
| *Taxes* | 199 | 436 | 534 |
| *Earned Income Tax Credit (-)* | 0 | -15 | 0 |
| *Child Care Tax Credit (-)* | 0 | -80 | -80 |
| *Child Tax Credit* | 0 | -100 | -100 |
| ***Self-Sufficiency Wage:*** | | | |
| *Hourly* | **$6.77** | **$14.79** | **$9.08 Per adult** |
| *Monthly* | **$1,191** | **$2,603** | **$3,198** |
| *Annual* | **$14,296** | **$31,238** | **$38,373** |

## Perceptions from the Community

One community meeting was held in La Paz County to discuss concerns regarding poverty. The chart below shows the percentage of participants surveyed who believe conditions have gotten ***worse*** in the following areas over the last ten years:




More specifically, of particular concern was the lack of child care in the community. Participants stated that special hours were needed for working parents and that many kids were left home alone. Other concerns were the need for more livable wage jobs, the lack of affordable housing and property to build, and the increased need for collaboration with Indian tribes.

# Maricopa County

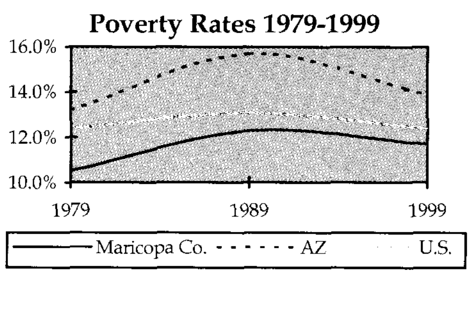
The 2000 Census revealed 3,072,149 people living in Maricopa County, a 44.8 percent increase from the 1990 Census of 2,122,101. In 1999, Maricopa County had 11.7 percent of its population or 355,668 people living below the poverty level. While the overall percentage of people in poverty decreased over the last ten years, the number of people in poverty did not. Maricopa County experienced a 38.2 percent increase since 1989 when 257,359 people or 12.3 percent of the county's population lived in poverty. In 1999, over half of Arizona's poor lived in Maricopa County.

### Poverty in Selected Communities

| Number of Persons Below Poverty Level (Poverty Rate) | 1989 | 1999 | % Change |
|---|---|---|---|
| Guadalupe<br>*(highest rate in county)* | 2,175<br>(40.1%) | 1,391<br>(26.7%) | -36.0% |
| Mesa | 27,087<br>(9.5%) | 35,031<br>(8.9%) | 29.3% |
| Paradise Valley<br>*(lowest rate in county)* | 388<br>(3.3%) | 334<br>(2.5%) | -13.9% |
| Phoenix | 137,406<br>(14.2%) | 205,320<br>(15.8%) | 49.4% |
| Reservations | NA | 4,088<br>(39.7%) | NA |
| Maricopa County | 257,359<br>(12.3%) | 355,668<br>(11.7%) | 38.2% |
| Arizona | 564,362<br>(15.7%) | 698,669<br>(13.9%) | 23.8% |

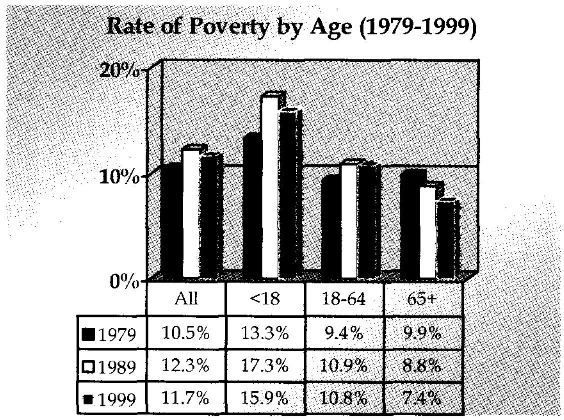
Source: U.S. Census and Research Advisory Services, Inc.

When you compare poverty rates over the last twenty years, Maricopa County's poverty rate increased from 10.5 percent in 1979 to 11.7 percent in 1999, 156,813 to 355,668 people respectively. In 1999, Maricopa County's poverty rate still remains lower than the state average of 13.9 percent and the national average of 12.4 percent.




### Poverty and Age

In 1999, among all age categories examined, children under 18 years of age experienced the highest rate of poverty at 15.9 percent, while those 65 and older had the lowest rate at 7.4 percent. Over the last twenty years, the rate of poverty has increased for all age groups, except those over 65 who experienced an improvement from 9.9 percent in 1979 to 7.4 percent in 1999.

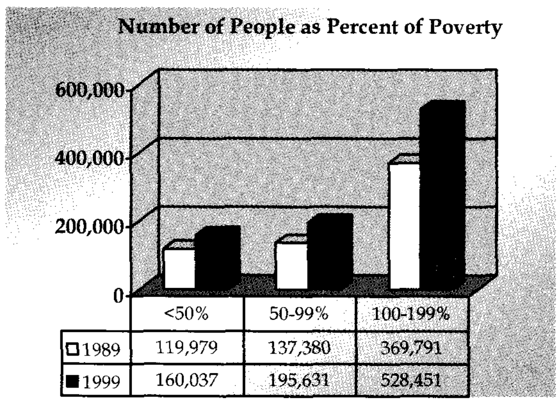



| | All | <18 | 18-64 | 65+ |
|---|---|---|---|---|
| ■1979 | 10.5% | 13.3% | 9.4% | 9.9% |
| □1989 | 12.3% | 17.3% | 10.9% | 8.8% |
| ■1999 | 11.7% | 15.9% | 10.8% | 7.4% |

Source: U.S Census.

### Poverty and Income Levels

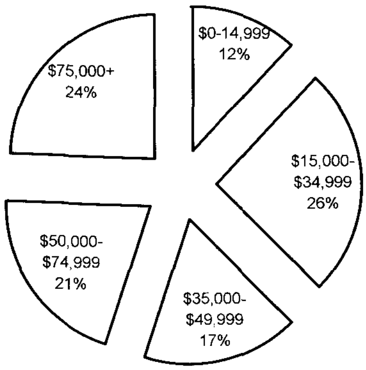
Examination of the income to poverty ratio reveals that 160,037 people or 45 percent of those below the poverty rate in Maricopa County were ***very poor***, with incomes less than 50 percent of the poverty threshold. Another 528,451 people had incomes equal to or above the poverty level, but less than 199 percent (ACAA's definition of "working poor"). ***In total, there are 884,119 people in Maricopa County who are poor or "working poor,"*** *29.2* ***percent of the county's total population.***




| | <50% | 50-99% | 100-199% |
|---|---|---|---|
| □1989 | 119,979 | 137,380 | 369,791 |
| ■1999 | 160,037 | 195,631 | 528,451 |

Source: U.S Census.

*1999 Household Income Distribution - Maricopa County*




Source: U.S Census. Note: The median household income in Maricopa County was $45,358 in 1999 compared to $30,797 in 1989 (47.3 percent increase).

From 1990 to 1999, local total personal income in Maricopa County increased 97 percent compared to the state's roughly 90 percent (according to the Arizona Department of Economic Security). On a per capita basis, the gain of 46.7 percent was above the state's growth of 46.3 percent. Maricopa County per capita income was $28,205 in 1999, about 12 percent above the state average, slightly up from the 11.7 percent above the state average in 1990. Average earnings per job for 1999 was $33,448 compared to $31,307 for the state.

## Poverty and Families

In 1999, the poverty rate among all families with children under 18 years of age living in Maricopa County was 12.3 percent. The rates for families with children headed by single females were 26 percent and even higher with younger children (less than 5 years) at 37.5 percent. Married couple families with children experienced a much lower rate at 7.9 percent.

| Number Below Poverty Level (Poverty Rate) | 1979 | 1989 | 1999 | % Change '79-'99 |
|---|---|---|---|---|
| All | 29,910 (7.5%) | 48,505 (8.8%) | 61,519 (8.0%) | 105.7% |
| With children under 18 | 21,662 (10.5%) | 38,322 (13.6%) | 50,191 (12.3%) | 131.7% |
| Female-headed with children under 18 | 9,529 (29.2%) | 18,553 (33.9%) | 21,247 (26.0%) | 123.0% |
| Female headed with children under 5* | 4,949 (43.8%) | 10,627 (50.7%) | 11,234 (37.5%) | 127.0% |

*1979 numbers include 5 year olds. Source: U.S. Census.

## Poverty and Race

Among racial/ethnic groups, American Indians and those of Hispanic Origin experienced the highest poverty rate at 24.5 percent and 23.9 percent respectively. Whites had the lowest rate at 8.7 percent. Those of Hispanic Origin were also represented at a disproportionately higher rate among those in poverty than in the overall population. All races in Maricopa County saw an improvement in poverty rates from 1989.

| Race Ethnicity | % of Total Population 1999 | % of Poverty Population 1999 | Poverty Rate by Race 1999 | Poverty Rate by Race 1989 |
|---|---|---|---|---|
| White | 77.4% | 58.3% | 8.7% | 9.5% |
| Black | 3.7% | 6.0% | 18.8% | 27.4% |
| American Indian | 1.8% | 3.9% | 24.5% | 34.8% |
| Asian/PI | 2.3% | 2.2% | 11.0% | 14.7% |
| Other | 14.8% | 29.6% | 23.2% | 29.8% |
| Hispanic Origin* | 24.8% | 51.3% | 23.9% | 27.5% |

NOTE: Categories include those identifying themselves as Hispanic. *Those of Hispanic Origin may be of any race. Source: U.S. Census.

## Public Assistance

According to the 2000 Census, 24,866 households or 2.2 percent of all households in Maricopa County received public assistance. The mean or average amount of public assistance income for 1999 was $2,609, a decrease from the 1989 average of $3,765 and $3,803 in 1979. Participation levels in the Food Stamp and Temporary Assistance to Needy Families (TANF) programs serve as indicators of the extent of poverty. In 2000, 100,685 people or 3.3 percent of the population received food stamps. At the same time, 14,866 or 1.9 percent of families were enrolled in TANF.

| Public Assistance (PA) | Base Year | 1990 | 2000 | % Change 1990-2000 | % Change Base Yr-2000 |
|---|---|---|---|---|---|
| Households receiving PA (1980) | 24,516 | 39,958 | 24,866 | -37.8% | 1.4% |
| Persons Food Stamps (1985*) | 75,758 | 146,366 | 100,685 | -31.2% | 32.9% |
| Families AFDC-TANF (1985*) | 11,220 | 22,457 | 14,866 | -33.8% | 32.5% |

NOTE: Base year in parentheses. *April figures. Source U.S. Census and Arizona Department of Economic Security.

## Self-Sufficiency

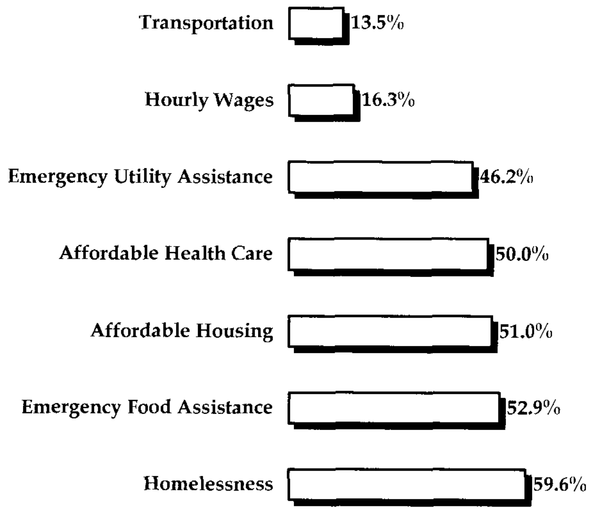
According to an Arizona Children's Action Alliance report completed in 2002, "The Self-Sufficiency Standard for Arizona," a single parent with an infant and a preschool-age child needs to earn a minimum of $40,153 annually to cover basic expenses in Maricopa County. In comparison, the following chart notes that a two parent household with an infant and a preschool-age child would need to make $47,495 annually, while a single adult would need $18,442 to cover basic living needs in Maricopa County.

| Monthly Costs | Adult | Adult + Infant Preschooler | 2 Adults + Infant Preschooler |
|---|---|---|---|
| *Housing* | 605 | 760 | 760 |
| *Child Care* | 0 | 964 | 964 |
| *Food* | 176 | 345 | 496 |
| *Transportation* | 252 | 257 | 496 |
| *Health Care* | 105 | 299 | 367 |
| *Miscellaneous* | 114 | 262 | 308 |
| *Taxes* | 286 | 639 | 746 |
| *Earned Income Tax Credit (-)* | 0 | 0 | 0 |
| *Child Care Tax Credit (-)* | 0 | -80 | -80 |
| *Child Tax Credit* | 0 | -100 | -100 |
| ***Self-Sufficiency Wage:*** | | | |
| *Hourly* | **$8.73** | **$19.01** | **$11.24 Per adult** |
| *Monthly* | **$1,537** | **$3,346** | **$3,958** |
| *Annual* | **$18,442** | **$40,153** | **$47,495** |

NOTE: Numbers represent those living in Phoenix-Mesa only.

## Perceptions from the Community

Seven meetings were held throughout Maricopa County to survey the perceived needs of those living in poverty and solutions for change. The chart below shows the percentage of participants surveyed who believe conditions have gotten *worse* in the following areas over the last ten years:




Of particular concern was the need for more quality child care with increased flexibility to serve working parents who work alternative shifts. Participants also called for an increase in child care subsidies to help the working poor.

# Mohave County

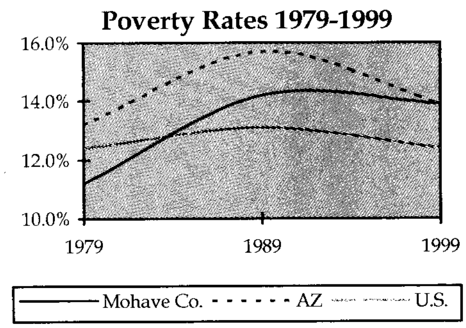
The 2000 Census revealed 155,032 people living in Mohave County, a 65.8 percent increase from the 1990 Census of 93,497. In 1999, Mohave County had close to 14 percent of its population or 21,252 people living below the poverty level. While the overall percentage of people in poverty slightly decreased over the last ten years, the number of people in poverty did not. Mohave County experienced a 62.9 percent increase since 1989 when 13,049 people or 14.2 percent of the county's population lived in poverty.

### Poverty in Selected Communities

| Number of Persons Below Poverty Level (Poverty Rate) | 1989 | 1999 | % Change |
|---|---|---|---|
| Bullhead City | 2,749 (12.8%) | 5,074 (15.1%) | 84.6% |
| Kingman | 1,167 (9.4%) | 2,207 (11.6%) | 89.1% |
| Lake Havasu City | 1,958 (8.1%) | 3,946 (9.5%) | 101.5% |
| Reservations | NA | 670 (29.8%) | NA |
| Mohave County | 13,049 (14.2%) | 21,252 (13.9%) | 62.9% |
| Arizona | 564,362 (15.7%) | 698,669 (13.9%) | 23.8% |

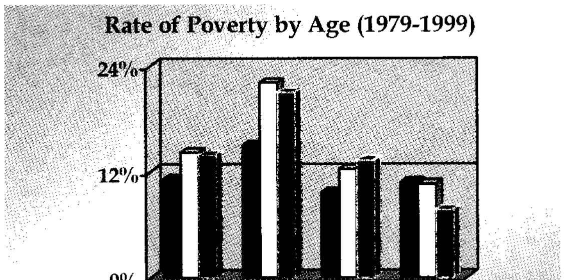
Source: U.S. Census and Research Advisory Services, Inc.

When you compare poverty rates over the last twenty years, Mohave County's poverty rate increased from 11.2 percent in 1979 to 13.9 percent in 1999, 6,207 to 21,252 people respectively. In 1999, Mohave County's poverty rate is equal to the state average of 13.9 percent and higher than the national average of 12.4 percent.




### Poverty and Age

In 1999, among all age categories examined, children under 18 years of age experienced the highest rate of poverty at 21 percent, while those 65 and older had the lowest rate at 7.7 percent. Over the last twenty years, the rate of poverty has increased for all age groups, except those over 65 who experienced an improvement from 10.8 percent in 1979 to 7.7 percent in 1999.

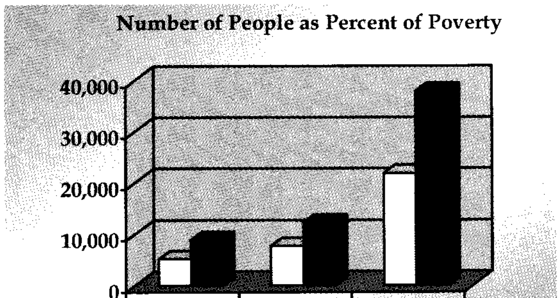



| | All | <18 | 18-64 | 65+ |
|---|---|---|---|---|
| 1979 | 11.2% | 15.0% | 9.7% | 10.8% |
| 1989 | 14.2% | 22.1% | 12.3% | 10.6% |
| 1999 | 13.9% | 21.0% | 13.3% | 7.7% |

Source: U.S Census.

### Poverty and Income Levels

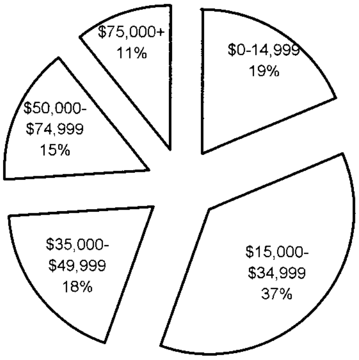
Examination of the income to poverty ratio reveals that 8,954 people or 42.1 percent of those below the poverty rate in Mohave County were ***very poor***, with incomes less than 50 percent of the poverty threshold. Another 37,993 people had incomes equal to or above the poverty level, but less than 199 percent (ACAA's definition of "working poor"). ***In total, there are 59,245 people in Mohave County who are poor or "working poor," 38.7 percent of the county's total population.***




| | <50% | 50-99% | 100-199% |
|---|---|---|---|
| 1989 | 5,270 | 7,779 | 21,876 |
| 1999 | 8,954 | 12,298 | 37,993 |

Source: U.S Census.

***1999 Household Income Distribution - Mohave County***




Source: U.S Census. Note: The median household income in Mohave County was $31,521 in 1999 compared to $24,002 in 1989 (31.3 percent increase).

From 1990 to 1999, local total personal income in Mohave County increased nearly 88.5 percent compared to the state's roughly 90 percent (according to the Arizona Department of Economic Security). Mohave County per capita income was $20,199 in 1999, about 80.2 percent of the state average, down from 87.8 percent in 1990. Average earnings per job were $23,948 in 1999 compared to $31,307 for the state.

## Poverty and Families

In 1999, the poverty rate among all families with children under 18 years of age living in Mohave County was 16.5 percent. The rates for families with children headed by single females were 36.1 percent and even higher with younger children (less than 5 years) at 45.8 percent. Married couple families with children experienced a much lower rate at 10 percent.

| Number Below Poverty Level (Poverty Rate) | 1979 | 1989 | 1999 | % Change '79-'99 |
|---|---|---|---|---|
| All | 1,470 (8.7%) | 2,335 (8.7%) | 4,277 (9.8%) | 191.0% |
| With children under 18 | 808 (11.5%) | 1,589 (15.2%) | 2,944 (16.5%) | 264.4% |
| Female-headed with children under 18 | 288 (34.0%) | 503 (31.0%) | 1,412 (36.1%) | 390.3% |
| Female headed with children under 5* | 141 (47.5%) | 214 (42.3%) | 709 (45.8%) | 402.8% |

*1979 numbers include 5 year olds. Source: U.S. Census.

## Poverty and Race

Among racial/ethnic groups, other races, those of Hispanic Origin, and Blacks experienced the highest poverty rate at 22.9 percent, 20.3 percent, and 20.2 percent respectively. Whites had the lowest at 12.9 percent. Blacks, Other races and those of Hispanic Origin in Mohave County saw an increase in poverty rates from 1989.

| Race Ethnicity | % of Total Population 1999 | % of Poverty Population 1999 | Poverty Rate by Race 1999 | Poverty Rate by Race 1989 |
|---|---|---|---|---|
| White | 90.1% | 84.4% | 12.9% | 13.5% |
| Black | 0.5% | 0.8% | 20.2% | 19.9% |
| American Indian | 2.4% | 3.7% | 21.1% | 35.0% |
| Asian/PI | 0.9% | 0.8% | 13.3% | 21.6% |
| Other | 6.1% | 10.2% | 22.9% | 20.4% |
| Hispanic Origin* | 11.1% | 16.4% | 20.3% | 19.4% |

NOTE: Categories include those identifying themselves as Hispanic. *Those of Hispanic Origin may be of any race. Source: U.S. Census.

## Public Assistance

According to the 2000 Census, 2,254 households or 3.6 percent of all households in Mohave County received public assistance. The mean or average amount of public assistance income for 1999 was $2,546, a decrease from the 1989 average of $3,764 and $4,051 in 1979. Participation levels in the Food Stamp and Temporary Assistance to Needy Families (TANF) programs serve as indicators of the extent of poverty. In 2000, 12,150 people or 7.8 percent of the population received food stamps. At the same time, 1,202 or 2.8 percent of families were enrolled in TANF.

| Public Assistance (PA) | Base Year | 1990 | 2000 | % Change 1990-2000 | % Change Base Yr-2000 |
|---|---|---|---|---|---|
| Households receiving PA (1980) | 711 | 1,969 | 2,254 | 14.5% | 217.0% |
| Persons Food Stamps (1985*) | 4,016 | 6,998 | 12,150 | 73.6% | 202.5% |
| Families AFDC-TANF (1985*) | 347 | 789 | 1,202 | 52.3% | 246.4% |

NOTE: Base year in parentheses. *April figures. Source U.S. Census and Arizona Department of Economic Security.

## Self-Sufficiency

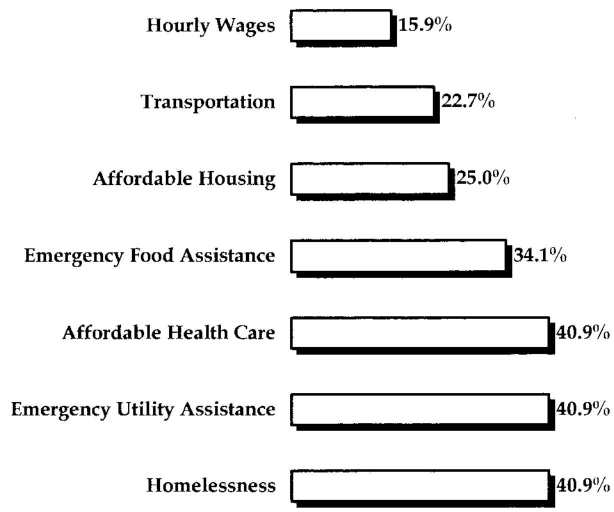
According to an Arizona Children's Action Alliance report completed in 2002, "The Self-Sufficiency Standard for Arizona," a single parent with an infant and a preschool-age child needs to earn a minimum of $36,174 annually to cover basic expenses in Mohave County. In comparison, the following chart notes that a two parent household with an infant and a preschool-age child would need to make $43,053 annually, while a single adult would need $14,175 to cover basic living needs in Mohave County.

| Monthly Costs | Adult | Adult + Infant Preschooler | 2 Adults + Infant Preschooler |
|---|---|---|---|
| *Housing* | 658 | 783 | 783 |
| *Child Care* | 0 | 781 | 781 |
| *Food* | 176 | 345 | 496 |
| *Transportation* | 214 | 220 | 425 |
| *Health Care* | 101 | 283 | 352 |
| *Miscellaneous* | 115 | 241 | 284 |
| *Taxes* | 289 | 541 | 648 |
| *Earned Income Tax Credit (-)* | 0 | 0 | 0 |
| *Child Care Tax Credit (-)* | 0 | -80 | -80 |
| *Child Tax Credit* | 0 | -100 | -100 |
| ***Self-Sufficiency Wage:*** | | | |
| *Hourly* | **$6.71** | **$17.13** | **$10.19 Per adult** |
| *Monthly* | **$1,181** | **$3,015** | **$3,588** |
| *Annual* | **$14,175** | **$36,174** | **$43,053** |

NOTE: Mohave County is considered part of the Las Vegas, Nevada MSA in calculating housing costs.

## Perceptions from the Community

Three community meetings were held in Mohave County to discuss poverty issues and solutions. The chart below shows the percentage of participants surveyed who believe conditions have gotten *worse* in the following areas over the last ten years:




More specifically, participants made the following comments:

- There are large numbers of working poor and pockets of poverty in the community.
- Resort communities tend to draw low paying jobs. Typical jobs are at the casinos.
- Increased education and training are needed to boost employment opportunities.
- Transportation and living wage jobs are needed throughout the county.
- Healthcare benefits are needed with more jobs -- many employers hire part-time people and offer no health benefits.
- Dental and vision benefits are needed with AHCCCS.
- Child care costs consume wages for low-income people.
- More activities are needed for children to reduce drug use and crime.

# Navajo County

The 2000 Census revealed 97,470 people living in Navajo County, a 25.5 percent increase from the 1990 Census of 77,658. Forty-five percent of all people in the county lived on reservation lands (Fort Apache, Hopi and Navajo). In 1999, Navajo County had almost 30 percent of its population or 28,054 people living below the poverty level. While the overall percentage of people in poverty decreased over the last ten years, the number of people in poverty did not. Navajo County experienced a 6.0 percent increase since 1989 when 26,458 people or 34.7 percent of the county's population lived in poverty. In 1999, the poverty rate for those not living on reservation lands was 15.6 percent.

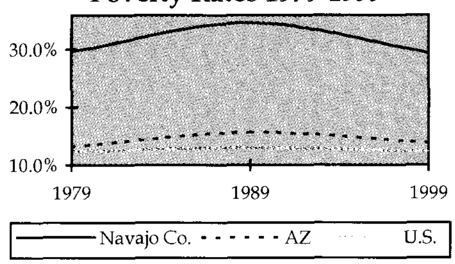
### Poverty in Selected Communities

| Number of Persons Below Poverty Level (Poverty Rate) | 1989 | 1999 | % Change |
|---|---|---|---|
| Holbrook | 803 (17.3%) | 957 (20.1%) | 19.2% |
| Pinetop-Lakeside | 241 (10.0%) | 355 (10.1%) | 47.3% |
| Show Low | 927 (18.5%) | 1,134 (15.0%) | 22.3% |
| Reservations | 19,823 (53.0%) | 19,908 (46.4%) | 0.4% |
| Navajo County | 26,458 (34.7%) | 28,054 (29.5%) | 6.0% |
| Arizona | 564,362 (15.7%) | 698,669 (13.9%) | 23.8% |

Source: U.S. Census and Research Advisory Services, Inc.

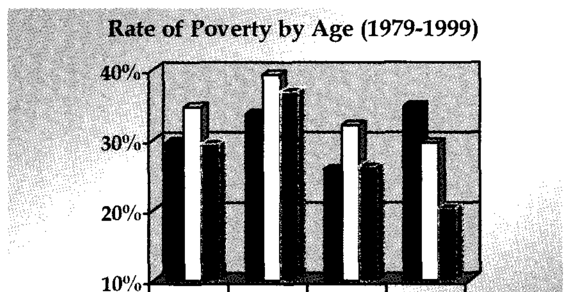
When you compare the number of people in poverty over the last twenty years, Navajo County's added 8,091 people, up from 19,963 in 1979. In 1999, Navajo County's poverty rate is more than double the state and national average of 13.9 percent and 12.4 percent respectively.

**Poverty Rates 1979-1999**




## Poverty and Age

In 1999, among all age categories examined, children under 18 years of age experienced the highest rate of poverty at 36.9 percent, while those 65 and older had the lowest rate at 20.3 percent. Over the last twenty years, the rate of poverty has increased for all age groups, except those over 65 who experienced an improvement from 34.8 percent in 1979 to 20.3 percent in 1999.

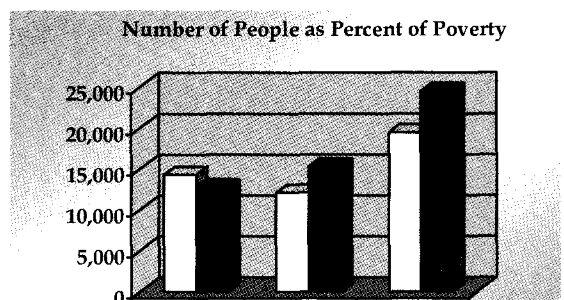



| | All | <18 | 18-64 | 65+ |
|---|---|---|---|---|
| ■1979 | 29.7% | 33.7% | 25.8% | 34.8% |
| □1989 | 34.7% | 39.3% | 32.1% | 29.6% |
| ■1999 | 29.5% | 36.9% | 26.3% | 20.3% |

Source: U.S Census.

## Poverty and Income Levels

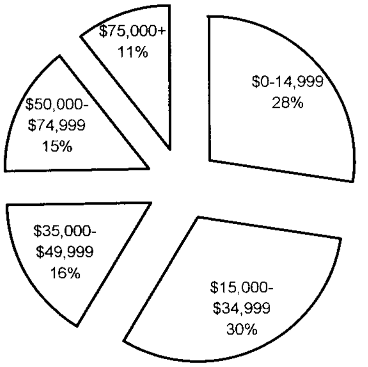
Examination of the income to poverty ratio reveals that 12,740 people or 45.4 percent of those below the poverty rate in Navajo County were *very poor,* with incomes less than 50 percent of the poverty threshold. Another 24,542 people had incomes equal to or above the poverty level, but less than 199 percent (ACAA's definition of "working poor"). ***In total, there are 52,596 people in Navajo County who are poor or "working poor," 55.3 percent of the county's total population.***




| | <50% | 50-99% | 100-199% |
|---|---|---|---|
| □1989 | 14,318 | 12,140 | 19,530 |
| ■1999 | 12,740 | 15,314 | 24,542 |

Source: U.S Census.

*1999 Household Income Distribution - Navajo County*




Source: U.S Census. Note: The median household income in Navajo County was $28,569 in 1999 compared to $19,452 in 1989 (46.9 percent increase).

From 1990 to 1999, local total personal income in Navajo County increased 68.6 percent compared to the state's roughly 90 percent (according to the Arizona Department of Economic Security). On a per capita basis, the gain of 33.7 percent was 12.6 percent below the state's growth of 46.3 percent. Navajo County per capita income was $13,440 in 1999, about 53.4 percent of the state average, down from 58.4 percent in 1990. Average earnings per job for 1999 were $24,170 compared to $31,307 for the state.

## Poverty and Families

In 1999, the poverty rate among all families with children under 18 years of age living in Navajo County was 30.6 percent. The rates for families with children headed by single females were 52.5 percent and even higher with younger children (less than 5 years) at 65.7 percent. Married couple families with children experienced a lower rate at 20.2 percent.

| Number Below Poverty Level (Poverty Rate) | 1979 | 1989 | 1999 | % Change '79-'99 |
|---|---|---|---|---|
| All | 3,694 (24.1%) | 5,498 (30.3%) | 5,410 (23.4%) | 46.5% |
| With children under 18 | 3,015 (27.6%) | 4,305 (35.4%) | 4,380 (30.6%) | 45.3% |
| Female-headed with children under 18 | 980 (55.8%) | 1,612 (60.9%) | 2,067 (52.5%) | 110.9% |
| Female headed with children under 5* | 605 (67.9%) | 931 (70.7%) | 1,069 (65.7%) | 76.7% |

*1979 numbers include 5 year olds. Source: U.S. Census.

## Poverty and Race

Among racial/ethnic groups, American Indians experienced the highest poverty rate at 45.4 percent. They also were represented at a disproportionately higher rate among those in poverty than in the overall population. All races saw an improvement in poverty rates from 1989 except Asian/Pacific Islanders and those of other races.

| Race Ethnicity | % of Total Population 1999 | % of Poverty Population 1999 | Poverty Rate by Race 1999 | Poverty Rate by Race 1989 |
|---|---|---|---|---|
| White | 45.9% | 19.0% | 11.9% | 13.7% |
| Black | 0.9% | 0.6% | 18.7% | 25.3% |
| American Indian | 47.7% | 75.3% | 45.4% | 52.8% |
| Asian/PI | 0.4% | 0.2% | 12.8% | 11.5% |
| Other | 5.1% | 4.9% | 27.8% | 26.8% |
| Hispanic Origin* | 8.2% | 6.7% | 23.5% | 26.4% |

NOTE: Categories include those identifying themselves as Hispanic. *Those of Hispanic Origin may be of any race. Source: U.S. Census.

## Public Assistance

According to the 2000 Census, 2,794 households or 9.3 percent of all households in Navajo County received public assistance. The mean or average amount of public assistance income for 1999 was $2,969, a decrease from the 1989 average of $3,578 and $3,884 in 1979. Participation levels in the Food Stamp and Temporary Assistance to Needy Families (TANF) programs serve as indicators of the extent of poverty. In 2000, 16,189 people or 16.6 percent of the population received food stamps. At the same time, 2,345 or 10.1 percent of families were enrolled in TANF.

| Public Assistance (PA) | Base Year | 1990 | 2000 | % Change 1990-2000 | % Change Base Yr-2000 |
|---|---|---|---|---|---|
| Households receiving PA (1980) | 2,117 | 3,738 | 2,794 | -25.3% | 32.0% |
| Persons Food Stamps (1985*) | 12,134 | 14,589 | 16,189 | 11.0% | 33.4% |
| Families AFDC-TANF (1985*) | 1,316 | 1,593 | 2,345 | 47.2% | 78.2% |

NOTE: Base year in parentheses. *April figures. Source U.S. Census and Arizona Department of Economic Security.

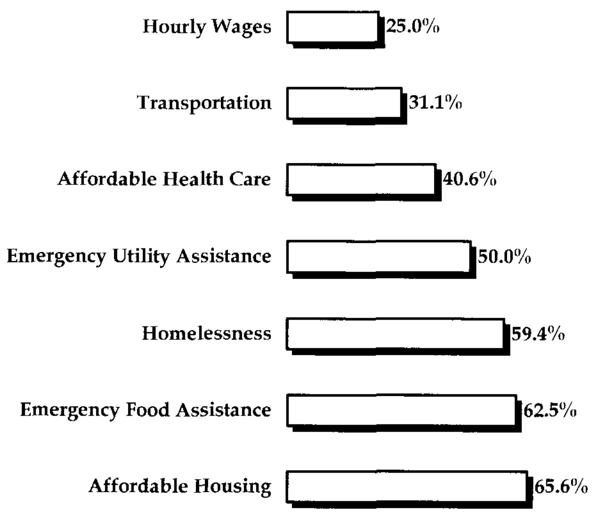
## Self-Sufficiency

According to an Arizona Children's Action Alliance report completed in 2002, "The Self-Sufficiency Standard for Arizona," a single parent with an infant and a preschool-age child needs to earn a minimum of $32,206 annually to cover basic expenses in Navajo County. In comparison, the following chart notes that a two parent household with an infant and a preschool-age child would need to make $38,947 annually, while a single adult would need $14,168 to cover basic living needs in Navajo County.

| Monthly Costs | Adult | Adult + Infant Preschooler | 2 Adults + Infant Preschooler |
|---|---|---|---|
| *Housing* | 396 | 503 | 503 |
| *Child Care* | 0 | 825 | 825 |
| *Food* | 176 | 345 | 496 |
| *Transportation* | 221 | 227 | 437 |
| *Health Care* | 102 | 289 | 358 |
| *Miscellaneous* | 90 | 219 | 262 |
| *Taxes* | 196 | 456 | 545 |
| *Earned Income Tax Credit (-)* | 0 | 0 | 0 |
| *Child Care Tax Credit (-)* | 0 | -80 | -80 |
| *Child Tax Credit* | 0 | -100 | -100 |
| ***Self-Sufficiency** Wage:* | | | |
| *Hourly* | **$6.71** | **$15.25** | **$9.22** Per adult |
| *Monthly* | **$1,181** | **$2,684** | **$3,246** |
| *Annual* | **$14,168** | **$32,206** | **$38,947** |

## Perceptions from the Community

Two community meetings were held in Navajo County to address solutions to poverty. The chart below shows the percentage of participants surveyed who believe conditions have gotten *worse* in the following areas over the last ten years:




More specifically, participants discussed the need for less isolation and more community support of low-income people. Other comments included:

- More individualized, targeted training is needed for job readiness.
- Better quality housing.
- Mentoring and exposure of children to industry opportunities.
- Increased discipline to promote accountability in schools.
- Increased money to create opportunities for higher education.
- Language barriers (Native American and Spanish) exist.
- The need for more medical services especially dental, and increasing the availability of child care services.

# Pima County

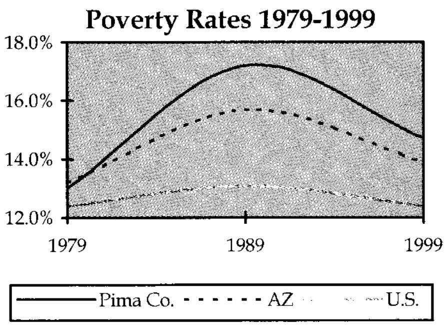
The 2000 Census revealed 843,746 people living in Pima County, a 26.5 percent increase from the 1990 Census of 666,880. In 1999, Pima County had almost 15 percent of its population or 120,778 people living below the poverty level. The poverty rate for those living on the Pascua Yaqui and Tohono O'odham Reservations is significantly higher at 44.9 percent. While the overall percentage of people in poverty decreased over the last ten years, the number of people in poverty did not. Pima County experienced an 8.0 percent increase since 1989 when 111,880 people or 17.2 percent of the county's population lived in poverty.

### Poverty in Selected Communities

| Number of Persons Below Poverty Level (Poverty Rate) | 1989 | 1999 | % Change |
|---|---|---|---|
| Oro Valley | 355 (5.3%) | 929 (3.1%) | 161.7% |
| Tucson | 79,287 (20.2%) | 86,532 (18.4%) | 9.1% |
| Reservations | 6,987 (64.6%) | 5,656 (44.9%) | -19.0% |
| Pima County | 111,880 (17.2%) | 120,778 (14.7%) | 8.0% |
| Arizona | 564,362 (15.7%) | 698,669 (13.9%) | 23.8% |

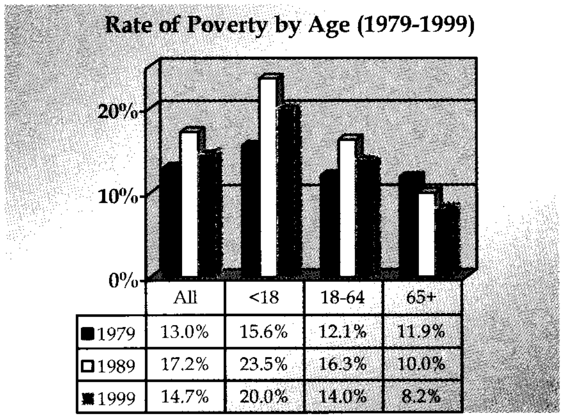
Source: U.S. Census and Research Advisory Services, Inc.

When you compare poverty rates over the last twenty years, Pima County's poverty rate increased from 13.0 percent in 1979 to 14.7 percent in 1999, 67,739 to 120,778 people respectively. In 1999, Pima County's poverty rate still remains higher than the state average of 13.9 percent and the national average of 12.4 percent.




## Poverty and Age

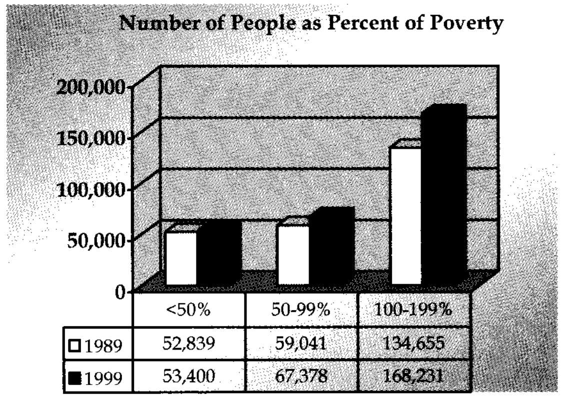
In 1999, among all age categories examined, children under 18 years of age experienced the highest rate of poverty at 20 percent, while those 65 and older had the lowest rate at 8.2 percent. Over the last ten years, the rate of poverty has decreased for all age groups, but is still higher than the 1979 rate except those in the over 65 age group which continued to decline.




Source: U.S Census.

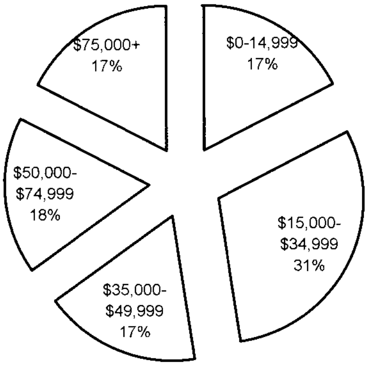
## Poverty and Income Levels

Examination of the income to poverty ratio reveals that 53,400 people or 44.2 percent of those below the poverty rate in Pima County were ***very poor***, with incomes less than 50 percent of the poverty threshold. Another 168,231 people had incomes equal to or above the poverty level, but less than 199 percent (ACAA's definition of "working poor"). ***In total, there are 289,009 people in Pima County who are poor or "working poor," 35.1 percent of the county's total population.***




Source: U.S Census.

*1999 Household Income Distribution – Pima County*




Source: U.S Census. Note: The median household income in Pima County was $36,758 in 1999 compared to $25,401 in 1989 (44.7 percent increase).

From 1990 to 1999, local total personal income in Pima County increased 77 percent compared to the state's nearly 90 percent (according to the Arizona Department of Economic Security). On a per capita basis, the gain of 47.3 percent is slightly greater than the state's growth of 46.3 percent. Pima County per capita income was $23,911 in 1999, less than the state average of $25,173, or roughly 95 percent of the state average. Average earnings per job for 1999 was $28,378 compared to $31,307 for the state.

## Poverty and Families

In 1999, the poverty rate among all families with children under 18 years of age living in Pima County was 16.4 percent. The rates for families with children headed by single females were 35.2 percent and even higher with younger children (less than 5 years) at 46.9 percent. Married couple families with children experienced a much lower rate at 9.1 percent.

| Number Below Poverty Level (Poverty Rate) | 1979 | 1989 | 1999 | % Change '79-'99 |
|---|---|---|---|---|
| All | 12,516 (9.1%) | 20,495 (12.0%) | 22,432 (10.5%) | 79.2% |
| With children under 18 | 9,021 (12.8%) | 16,201 (18.9%) | 17,740 (16.4%) | 96.7% |
| Female-headed with children under 18 | 4,066 (34.2%) | 7,812 (40.4%) | 9,297 (35.2%) | 128.7% |
| Female headed with children under 5* | 1,935 (48.0%) | 4,003 (57.8%) | 4,507 (46.9%) | 132.9% |

*1979 numbers include 5 year olds. Source: U.S. Census.

## Poverty and Race

Among racial/ethnic groups, American Indians experienced the highest poverty rate at 34.4 percent and Whites had the lowest at 11.3 percent. American Indians, Other races and those of Hispanic Origin were represented at a disproportionately higher rate among those in poverty than in the overall population. All races in Pima County saw an improvement in poverty rates from 1989.

| Race Ethnicity | % of Total Population 1999 | % of Poverty Population 1999 | Poverty Rate by Race 1999 | Poverty Rate by Race 1989 |
|---|---|---|---|---|
| White | 75.1% | 59.0% | 11.3% | 12.8% |
| Black | 3.0% | 3.7% | 17.3% | 27.5% |
| American Indian | 3.2% | 7.7% | 34.4% | 52.4% |
| Asian/PI | 2.2% | 2.4% | 16.0% | 21.5% |
| Other | 16.5% | 27.1% | 23.5% | 32.3% |
| Hispanic Origin* | 29.3% | 46.3% | 22.6% | 28.2% |

NOTE: Categories include those identifying themselves as Hispanic. *Those of Hispanic Origin may be of any race. Source: U.S. Census.

## Public Assistance

According to the 2000 Census, 10,254 households or 3.1 percent of all households in Pima County received public assistance. The mean or average amount of public assistance income for 1999 was $2,353, a decrease from the 1989 average of $3,752 and $3,860 in 1979. Participation levels in the Food Stamp and Temporary Assistance to Needy Families (TANF) programs serve as indicators of the extent of poverty. In 2000, 45,092 people or 5.3 percent of the population received food stamps. At the same time, 5,725 or 2.7 percent of families were enrolled in TANF.

| Public Assistance (PA) | Base Year | 1990 | 2000 | % Change 1990-2000 | % Change Base Yr-2000 |
|---|---|---|---|---|---|
| Households receiving PA (1980) | 9,727 | 15,877 | 10,254 | -35.4% | 5.4% |
| Persons Food Stamps (1985*) | 40,491 | 59,261 | 45,092 | -23.9% | 11.4% |
| Families AFDC-TANF (1985*) | 5,055 | 7,782 | 5,725 | -26.4% | 13.3% |

NOTE: Base year in parentheses. *April figures. Source U.S. Census and Arizona Department of Economic Security.

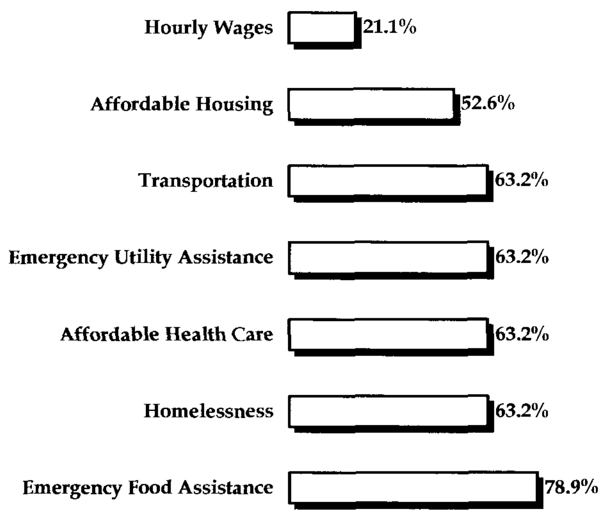
## Self-Sufficiency

According to an Arizona Children's Action Alliance report completed in 2002, "The Self-Sufficiency Standard for Arizona," a single parent with an infant and a preschool-age child needs to earn a minimum of $36,166 annually to cover basic expenses in Pima County. In comparison, the following chart notes that a two parent household with an infant and a preschool-age child would need to make $43,440 annually, while a single adult would need $16,098 to cover basic living needs in Pima County.

| Monthly Costs | Adult | Adult + Infant Preschooler | 2 Adults + Infant Preschooler |
|---|---|---|---|
| *Housing* | 486 | 647 | 647 |
| *Child Care* | 0 | 893 | 893 |
| *Food* | 176 | 345 | 496 |
| *Transportation* | 238 | 244 | 471 |
| *Health Care* | 101 | 283 | 352 |
| *Miscellaneous* | 100 | 241 | 286 |
| *Taxes* | 240 | 540 | 656 |
| *Earned Income Tax Credit (-)* | 0 | 0 | 0 |
| *Child Care Tax Credit (-)* | 0 | -80 | -80 |
| *Child Tax Credit* | 0 | -100 | -100 |
| *Self-Sufficiency Wage:* | | | |
| *Hourly* | **$7.62** | **$17.12** | **$10.28 Per adult** |
| *Monthly* | **$1,341** | **$3,014** | **$3,620** |
| *Annual* | **$16,098** | **$36,166** | **$43,440** |

## Perceptions from the Community

One community meeting was held in Pima County to discuss issues and solutions to poverty. The chart below shows the percentage of participants surveyed who believe conditions have gotten ***worse*** in the following areas over the last ten years:




More specifically, participants identified the lack of access to transportation, especially in rural areas; the need for livable wage jobs; increasing health care benefits; and a better economic base in the rural parts of Pima County. The county is also experiencing more people moving into the area in need of assistance

# Pinal County

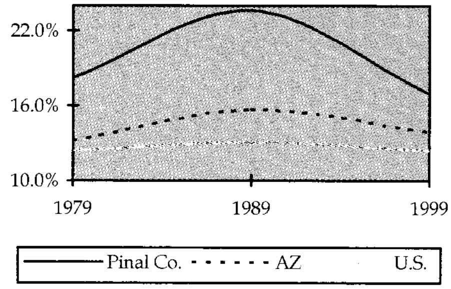
The 2000 Census revealed 179,727 people living in Pinal County, a 54.4 percent increase from the 1990 Census of 116,379. In 1999, Pinal County had almost 17 percent of its population or 27,816 people living below the poverty level. Those living on reservations (Gila River, Ak Chin, Tohono O'odham) experienced a much higher rate at 46.7 percent. While the overall percentage of people in poverty decreased over the last ten years, the number of people in poverty did not. Pinal County experienced a 6.4 percent increase since 1989 when 26,152 people or 23.6 percent of the county's population lived in poverty.

### Poverty in Selected Communities

| Number of Persons Below Poverty Level (Poverty Rate) | 1989 | 1999 | % Change |
|---|---|---|---|
| Casa Grande | 3,274 (17.4%) | 4,024 (16.0%) | 22.9% |
| Eloy | 2,631 (36.7%) | 2,796 (31.9%) | 6.3% |
| Florence | 576 (17.6%) | 372 (7.0%) | -35.4% |
| Reservations | 5,009 (62,9%) | 4,510 (46.7%) | -10.0% |
| Pinal County | 26,152 (23.6%) | 27,816 (16.9%) | 6.4% |
| Arizona | 564,362 (15.7%) | 698,669 (13.9%) | 23.8% |

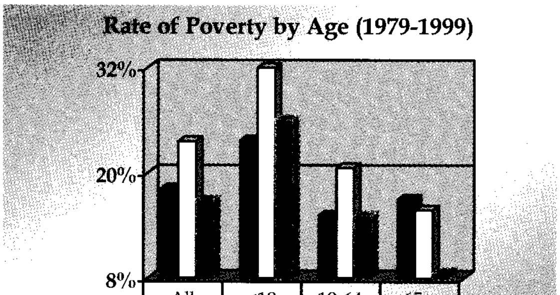
Source: U.S. Census and Research Advisory Services, Inc.

When you compare the number of people in poverty over the last twenty years, Pinal County added 11,816 persons. In 1999, Pinal County's poverty rate still remains higher than the state and national average of 13.9 percent and 12.4 percent respectively.




### Poverty and Age

In 1999, among all age categories examined, children under 18 years of age experienced the highest rate of poverty at 26.1 percent, while those 65 and older had the lowest rate at 8.7 percent. While poverty among children under 18 years of age has improved over the last ten years, the rate is still higher than in 1979.

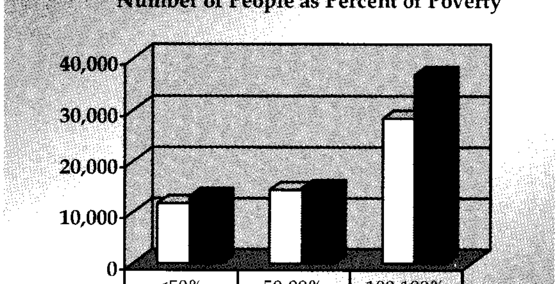



| | All | <18 | 18-64 | 65+ |
|---|---|---|---|---|
| 1979 | 18.2% | 23.7% | 15.2% | 17.0% |
| 1989 | 23.6% | 32.6% | 20.6% | 15.8% |
| 1999 | 16.9% | 26.1% | 15.1% | 8.7% |

Source: U.S Census.

### Poverty and Income Levels

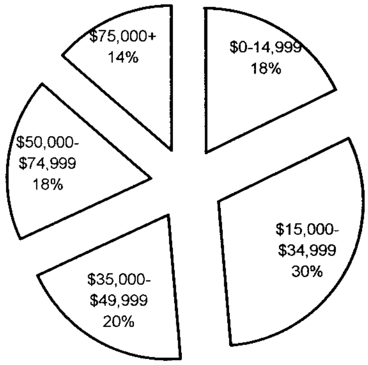
Examination of the income to poverty ratio reveals that 13,093 people or 47.1 percent of those below the poverty rate in Pinal County were ***very poor,*** with incomes less than 50 percent of the poverty threshold. Another 36,919 people had incomes equal to or above the poverty level, but less than 199 percent (ACAA's definition of "working poor"). ***In total, there are 64,735 people in Pinal County who are poor or "working poor," 39.4 percent of the county's total population.***




| | <50% | 50-99% | 100-199% |
|---|---|---|---|
| 1989 | 11,786 | 14,366 | 28,415 |
| 1999 | 13,093 | 14,723 | 36,919 |

Source: U.S Census.

*1999 Household Income Distribution – Pinal County*




Source: U.S Census. Note: The median household income in Pinal County was $35,856 in 1999 compared to $21,301 in 1989 (68.3 percent increase).

From 1990 to 1999, local total personal income in Pinal County increased 77 percent compared to the state's roughly 90 percent (according to the Arizona Department of Economic Security). On a per capita basis, the gain of 35.4 percent was 10.9 percent below the state's growth of 46.3 percent. Pinal County per capita income was $16,563 in 1999, about 65.8 percent of the state average, down from 71 percent in 1990. The average earnings per job was $28,394 compared to $31,307 for the state, or 90.7 percent of the state.

## Poverty and Families

In 1999, the poverty rate among all families with children under 18 years of age living in Pinal County was 21 percent. The rates for families with children headed by single females were 40.7 percent and even higher with younger children (less than 5 years) at 50.8 percent. Married couple families with children experienced a much lower rate at 12.1 percent.

| Number Below Poverty Level (Poverty Rate) | 1979 | 1989 | 1999 | % Change '79-'99 |
|---|---|---|---|---|
| All | 3,310 (14.3%) | 5,593 (18.7%) | 5,486 (12.1%) | 65.7% |
| With children under 18 | 2,568 (19.5%) | 4,193 (26.5%) | 4,369 (21.0%) | 70.1% |
| Female-headed with children under 18 | 1,051 (57.0%) | 2,118 (63.1%) | 2,162 (40.7%) | 105.7% |
| Female headed with children under 5* | 652 (65.9%) | 1,122 (77.6%) | 1048 (50.8%) | 60.7% |

*1979 numbers include 5 year olds. Source: U.S. Census.

## Poverty and Race

Among racial/ethnic groups, American Indians experienced the highest poverty rate at 36.8 percent and Whites had the lowest at 11.3 percent. American Indians, Other races and those of Hispanic Origin were represented at a disproportionately higher rate among those in poverty than in the overall population. All races in Pinal County saw an improvement in poverty rates from 1989.

| Race Ethnicity | % of Total Population 1999 | % of Poverty Population 1999 | Poverty Rate by Race 1999 | Poverty Rate by Race 1989 |
|---|---|---|---|---|
| White | 70.4% | 51.6% | 11.3% | 16.5% |
| Black | 2.8% | 2.9% | 16.0% | 39.3% |
| American Indian | 7.8% | 18.6% | 36.8% | 61.0% |
| Asian/PI | 0.7% | 0.6% | 13.9% | 16.9% |
| Other | 18.3% | 26.4% | 22.3% | 35.5% |
| Hispanic Origin* | 29.9% | 43.5% | 22.6% | 28.6% |

NOTE: Categories include those identifying themselves as Hispanic. *Those of Hispanic Origin may be of any race. Source: U.S. Census.

## Public Assistance

According to the 2000 Census, 2,547 households or 4.1 percent of all households in Pinal County received public assistance. The mean or average amount of public assistance income for 1999 was $2,647, a decrease from the 1989 average of $3,873 and $4,191 in 1979. Participation levels in the Food Stamp and Temporary Assistance to Needy Families (TANF) programs serve as indicators of the extent of poverty. In 2000, 12,638 people or 7 percent of the population received food stamps. At the same time, 1,613 or 3.5 percent of families were enrolled in TANF.

| Public Assistance (PA) | Base Year | 1990 | 2000 | % Change 1990-2000 | % Change Base Yr-2000 |
|---|---|---|---|---|---|
| Households receiving PA (1980) | 2,305 | 3,753 | 2,547 | -32.1% | 10.5% |
| Persons Food Stamps (1985*) | 13,549 | 18,037 | 12,638 | -29.9% | -6.7% |
| Families AFDC-TANF (1985*) | 1,821 | 2,814 | 1,613 | -42.7% | -11.4% |

NOTE: Base year in parentheses. *April figures. Source U.S. Census and Arizona Department of Economic Security.

## Self-Sufficiency

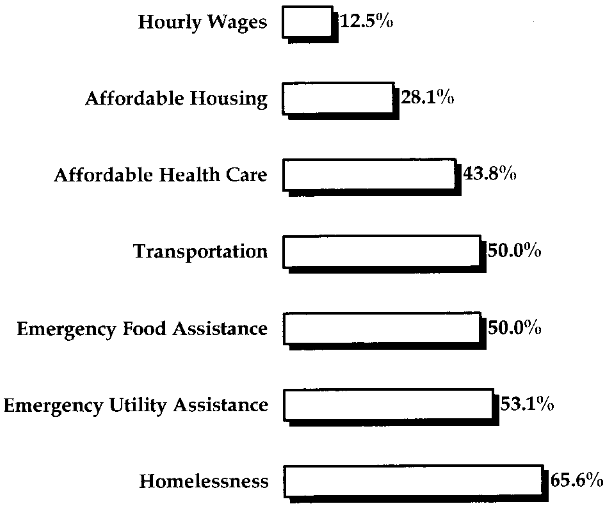
According to an Arizona Children's Action Alliance report completed in 2002, "The Self-Sufficiency Standard for Arizona," a single parent with an infant and a preschool-age child needs to earn a minimum of $36,818 annually to cover basic expenses in Pinal County. In comparison, the following chart notes that a two parent household with an infant and a preschool-age child would need to make $44,060 annually, while a single adult would need $17,213 to cover basic living needs in Pinal County.

| Monthly Costs | Adult | Adult + Infant Preschooler | 2 Adults + Infant Preschooler |
|---|---|---|---|
| *Housing* | 551 | 692 | 692 |
| *Child Care* | 0 | 880 | 880 |
| *Food* | 176 | 345 | 496 |
| *Transportation* | 237 | 242 | 467 |
| *Health Care* | 102 | 287 | 356 |
| *Miscellaneous* | 107 | 245 | 289 |
| *Taxes* | 263 | 557 | 672 |
| *Earned Income Tax Credit (-)* | 0 | 0 | 0 |
| *Child Care Tax Credit (-)* | 0 | -80 | -80 |
| *Child Tax Credit* | 0 | -100 | -100 |
| ***Self-Sufficiency Wage:*** | | | |
| *Hourly* | **$8.15** | **$17.43** | **$10.43 Per adult** |
| *Monthly* | **$1,434** | **$3,068** | **$3,672** |
| *Annual* | **$17,213** | **$36,818** | **$44,060** |

NOTE: Pinal County is considered part of the Phoenix-Mesa MSA in calculating housing costs.

## Perceptions from the Community

Two meetings were held in Pinal County to discuss major concerns and solutions to poverty. The chart below shows the percentage of participants surveyed who believe conditions have gotten *worse* in the following areas over the last ten years:




More specifically, participants identified:

- Lack of literacy and basic skills.
- The need for relationship training to curb domestic violence, elder abuse and child abuse.
- Teenage pregnancy issues.
- Health and public transportation issues.
- Low wages due to agriculture and service industry.

Possible solutions raised at the meeting were to use any business tax plan to increase wages and/or attract employers that pay reasonable wages (higher than the minimum wage). The plan should also provide incentives at places of employment for GED and higher education. Participants also thought that too much money was spent on corrections and prisons and not enough on prevention and education. A discussion also occurred regarding the need for improved interagency communication to increase awareness of resources.

# Santa Cruz County

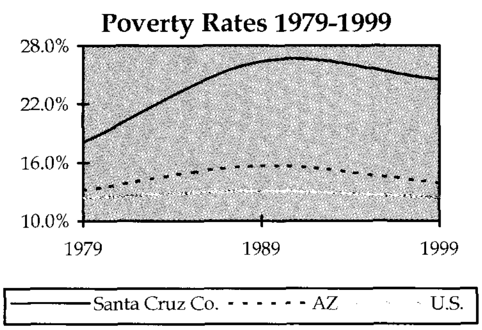
The 2000 Census revealed 38,381 people living in Santa Cruz County, a 29.3 percent increase from the 1990 Census of 29,676. In 1999, Santa Cruz County had close to one-fourth of its population or 9,356 people living below the poverty level. While the overall percentage of people in poverty decreased over the last ten years, the number of people in poverty did not. Santa Cruz County experienced a 20.0 percent increase since 1989 when 7,796 people or 26.4 percent of the county's population lived in poverty.

### Poverty in Selected Communities

| Number of Persons Below Poverty Level (Poverty Rate) | 1989 | 1999 | % Change |
|---|---|---|---|
| Nogales | 6,051 (31.2%) | 7,019 (33.9%) | 16.0% |
| Patagonia | 285 (30.9%) | 214 (25.1%) | -24.9% |
| Santa Cruz County | 7,796 (26.4%) | 9,356 (24.5%) | 20.0% |
| Arizona | 564,362 (15.7%) | 698,669 (13.9%) | 23.8% |

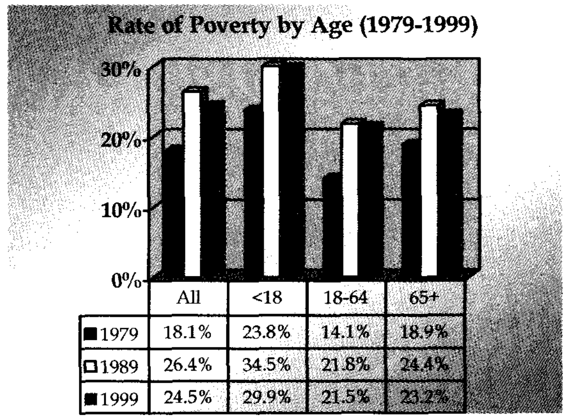
Source: U.S. Census and Research Advisory Services, Inc.

When you compare poverty rates over the last twenty years, Santa Cruz County's poverty rate increased from 18.1 percent in 1979 to 24.5 percent in 1999, 3,700 to 9,356 people respectively. In 1999, Santa Cruz County's poverty rate still remains significantly higher than the state average of 13.9 percent and the national average of 12.4 percent.




### Poverty and Age

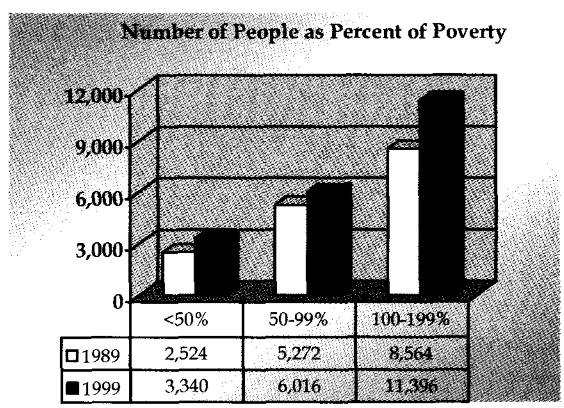
In 1999, among all age categories examined, children under 18 years of age experienced the highest rate of poverty at 29.9 percent, while those between age 18 and 64 had the lowest rate at 21.5 percent. Over the last twenty years, the rate of poverty has increased for all age groups with those between age 18 and 64 years of age increasing the most.




Source: U.S Census.

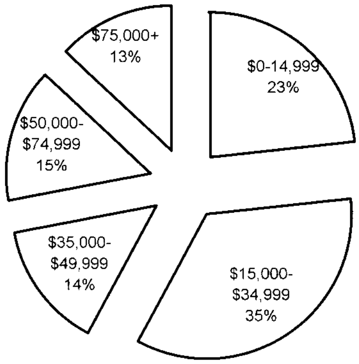
### Poverty and Income Levels

Examination of the income to poverty ratio reveals that 3,340 people or over one-third of those below the poverty rate in Santa Cruz County were ***very poor***, with incomes less than 50 percent of the poverty threshold. Another 11,396 people had incomes equal to or above the poverty level, but less than 199 percent (ACAA's definition of "working poor"). ***In total, there are 20,752people in Santa Cruz County who are poor or "working poor," 54.3 percent of the county's total population.***




Source: U.S Census.

*1999 Household Income Distribution - Santa Cruz County*




Source: U.S Census. Note: The median household income in Santa Cruz County was $29,710 in 1999 compared to $22,066 in 1989 (34.6 percent increase).

From 1990 to 1999, local total personal income in Santa Cruz County increased 78.1 percent compared to the state's nearly 90 percent (according to the Arizona Department of Economic Security). Santa Cruz County per capita income was $16,496 in 1999, about 65.5 percent of the state average, down from 70 percent in 1990. The average earnings per job was $27,807 for the county compared to the state's $ 31,307, or 11.2 percent below the state.

## Poverty and Families

In 1999, the poverty rate among all families with children under 18 years of age living in Santa Cruz County was 26 percent. The rates for families with children headed by single females were 46.6 percent and even higher with younger children (less than 5 years) at 55.7 percent. Married couple families with children experienced a lower rate at 20.6 percent.

| Number Below Poverty Level (Poverty Rate) | 1979 | 1989 | 1999 | % Change '79-'99 |
|---|---|---|---|---|
| All | 681 (13.4%) | 1,618 (22.0%) | 2,056 (21.4%) | 201.9% |
| With children under 18 | 604 (18.1%) | 1,334 (28.2%) | 1,620 (26.0%) | 168.2% |
| Female-headed with children under 18 | 234 (46.3%) | 465 (45.8%) | 589 (46.6%) | 151.7% |
| Female headed with children under 5* | 102 (47.9%) | 194 (46.2%) | 246 (55.7%) | 141.2% |

*1979 numbers include 5 year olds. Source: U.S. Census.

## Poverty and Race

Among racial/ethnic groups, those of Hispanic Origin experienced the highest poverty rate at 27.9 percent. They also represented most of all people below the poverty rate in Santa Cruz County. Since 1989, the poverty rate for those of Hispanic Origin decreased by almost four percentage points.

| Race Ethnicity | % of Total Population 1999 | % of Poverty Population 1999 | Poverty Rate by Race 1999 | Poverty Rate by Race 1989 |
|---|---|---|---|---|
| White | 76.0% | 77.4% | 24.8% | 24.7% |
| Black | 0.4% | 0.0% | 0.0% | 53.0% |
| American Indian | 0.7% | 0.7% | 25.5% | 21.4% |
| Asian/PI | 0.6% | 0.2% | 8.1% | 6.4% |
| Other | 22.4% | 21.7% | 23.7% | 31.8% |
| Hispanic Origin* | 80.8% | 92.4% | 27.9% | 31.6% |

NOTE: Categories include those identifying themselves as Hispanic. *Those of Hispanic Origin may be of any race. Source: U.S. Census.

## Public Assistance

According to the 2000 Census, 549 households or 4.6 percent of all households in Santa Cruz County received public assistance. The mean or average amount of public assistance income for 1999 was $2,310, a decrease from the 1989 average of $2,990 and $3,313 in 1979. Participation levels in the Food Stamp and Temporary Assistance to Needy Families (TANF) programs serve as indicators of the extent of poverty. In 2000, 3,408 people or 8.9 percent of the population received food stamps. At the same time, 287 or 3 percent of families were enrolled in TANF.

| Public Assistance (PA) | Base Year | 1990 | 2000 | % Change 1990-2000 | % Change Base Yr-2000 |
|---|---|---|---|---|---|
| Households receiving PA (1980) | 599 | 844 | 549 | -35.0% | -8.3% |
| Persons Food Stamps (1985*) | 3,568 | 3,722 | 3,408 | -8.4% | -4.5% |
| Families AFDC-TANF (1985*) | 224 | 274 | 287 | 4.7% | 28.1% |

NOTE: Base year in parentheses. *April figures. Source U.S. Census and Arizona Department of Economic Security.

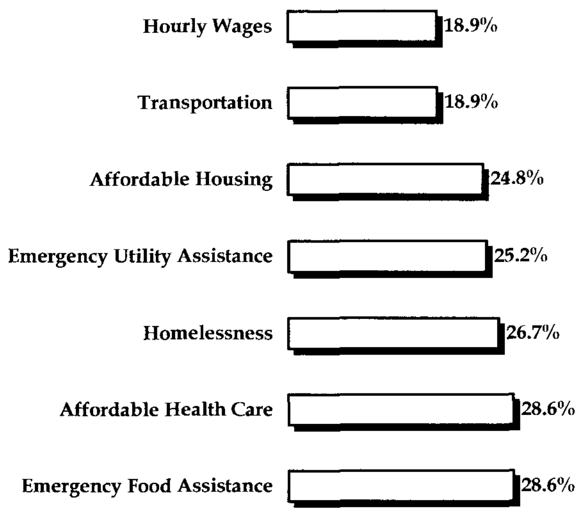
## Self-Sufficiency

According to an Arizona Children's Action Alliance report completed in 2002, "The Self-Sufficiency Standard for Arizona," a single parent with an infant and a preschool-age child needs to earn a minimum of $32,300 annually to cover basic expenses in Santa Cruz County. In comparison, the following chart notes that a two parent household with an infant and a preschool-age child would need to make $39,278 annually, while a single adult would need $14,761 to cover basic living needs in Santa Cruz County.

| Monthly Costs | Adult | Adult + Infant Preschooler | 2 Adults + Infant Preschooler |
|---|---|---|---|
| *Housing* | 416 | 517 | 517 |
| *Child Care* | 0 | 803 | 803 |
| *Food* | 176 | 345 | 496 |
| *Transportation* | 235 | 240 | 463 |
| *Health Care* | 102 | 289 | 358 |
| *Miscellaneous* | 93 | 219 | 264 |
| *Taxes* | 208 | 458 | 553 |
| *Earned Income Tax Credit (-)* | 0 | 0 | 0 |
| *Child Care Tax Credit (-)* | 0 | -80 | -80 |
| *Child Tax Credit* | 0 | -100 | -100 |
| *Self-Sufficiency Wage:* | | | |
| *Hourly* | **$6.99** | **$15.29** | **$9.30 Per adult** |
| *Monthly* | **$1,230** | **$2,692** | **$3,273** |
| *Annual* | **$14,761** | **$32,300** | **$39,278** |

## Perceptions from the Community

One meeting was held in Santa Cruz County to discuss solutions to poverty. The chart below shows the percentage of participants surveyed who believe conditions have gotten ***worse*** in the following areas over the last ten years:




More specifically, participants discussed the following:

- Basic job skills are needed, including English.
- Need to attract employers.
- Unemployment insurance and job training for seasonal employees to seek new careers are needed.
- Government agencies, especially Border Patrol hire but bring people from other areas of the state rather than hiring within the community.
- Medical costs are too high, especially prescription drugs and medicine for behavioral health issues.
- Result of high medical costs force people to provide services at home which increases stress on the family.

# Yavapai County

The 2000 Census revealed 167,517 people living in Yavapai County, a 55.5 percent increase from the 1990 Census of 107,714. In 1999, Yavapai County had almost 12 percent of its population or 19,552 people living below the poverty level. The poverty rate more than doubles on the Yavapai-Apache and Yavapai-Prescott Reservations with 28.2 percent living in poverty. While the overall percentage of people in poverty decreased over the last ten years, the number of people in poverty did not. Yavapai County experienced a 36.7 percent increase since 1989 when 14,308 people or 13.6 percent of the county's population lived in poverty.

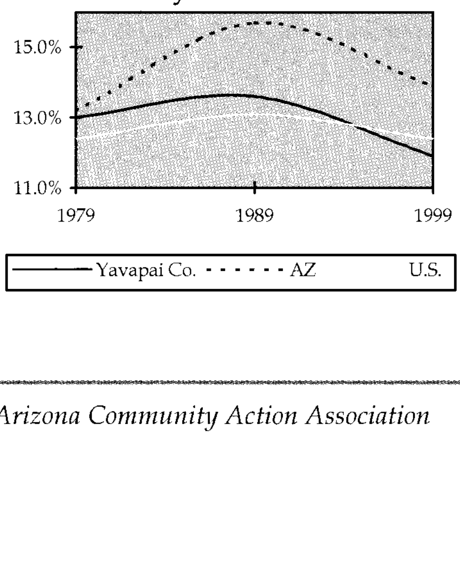
### Poverty in Selected Communities

| Number of Persons Below Poverty Level (Poverty Rate) | 1989 | 1999 | % Change |
|---|---|---|---|
| Cottonwood | 1,312 (22.7%) | 1,211 (13.5%) | -7.7% |
| Prescott | 3,354 (13.3%) | 4,256 (13.1%) | 26.9% |
| Sedona | 681 (8.9%) | 986 (9.7%) | 44.8% |
| Reservations | NA | 268 (28.2%) | NA |
| Yavapai County | 14,308 (13.6%) | 19,552 (11.9%) | 36.7% |
| Arizona | 564,362 (15.7%) | 698,669 (13.9%) | 23.8% |

Source: U.S. Census and Research Advisory Services, Inc.

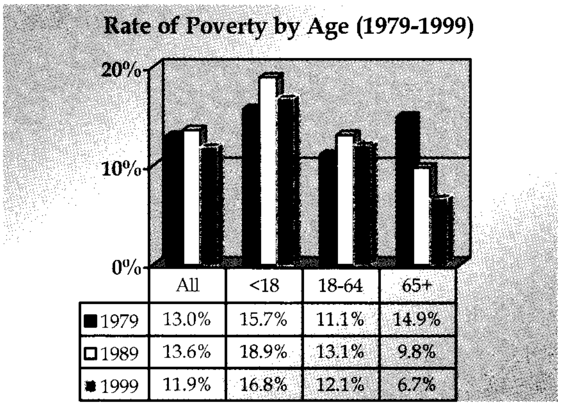
Yavapai County more than doubled the number of people in poverty over the last twenty years going from 8,652 in 1979 to 19,552 in 1999. In 1999, Yavapai County's poverty rate dropped below the national average of 12.4 percent and remains lower than the state average of 13.9 percent.

**Poverty Rates 1979-1999**




### Poverty and Age

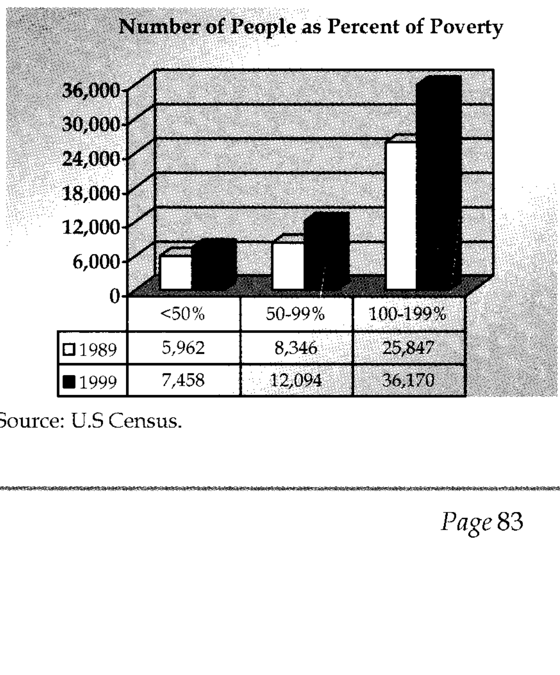
In 1999, among all age categories examined, children under 18 years of age experienced the highest rate of poverty at 16.8 percent, while those 65 and older had the lowest rate at 6.7 percent. Over the last ten years, the rate of poverty has decreased for all age groups. Those over 65 experienced a significant improvement over the last twenty years going from 14.9 percent in 1979 to 6.7 percent in 1999.




Source: U.S Census.

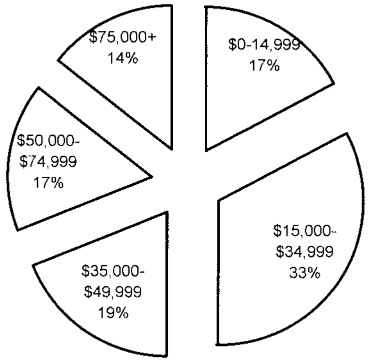
### Poverty and Income Levels

Examination of the income to poverty ratio reveals that 7,458 people or 38.1 percent of those below the poverty rate in Yavapai County were ***very poor***, with incomes less than 50 percent of the poverty threshold. Another 36,170 people had incomes equal to or above the poverty level, but less than 199 percent (ACAA's definition of "working poor"). ***In total, there are 55,722 people in Yavapai County who are poor or "working poor," 34 percent of the county's total population.***




Source: U.S Census.

*1999 Household Income Distribution - Yavapai County*




Source: U.S Census. Note: The median household income in Yavapai County was $34,901 in 1999 compared to $22,060 in 1989 (58.2 percent increase).

Personal income grew in the county by 98.1 percent from 1990 to 1999 compared to the state's roughly 90 percent growth (according to the Arizona Department of Economic Security). Yavapai lags behind the state in the rest of the income figures. Per capita income in 1999 was $21,545 compared to the state's $25,173, or 14.4 percent below the state. The rate of growth of per capita income from 1990 to 1999 was 40.7 percent compared to the state's 46.3 percent. The average earnings per job in 1999 was $22,378 compared to $31,307 at the state level.

## Poverty and Families

In 1999, the poverty rate among all families with children under 18 years of age living in Yavapai County was 14.5 percent. The rates for families with children headed by single females were 31.1 percent and even higher with younger children (less than 5 years) at 44 percent. Married couple families with children experienced a much lower rate at 9.2 percent.

| Number Below Poverty Level (Poverty Rate) | 1979 | 1989 | 1999 | % Change '79-'99 |
|---|---|---|---|---|
| All | 1,886 (9.4%) | 3,104 (9.8%) | 3,703 (7.9%) | 96.3% |
| With children under 18 | 1,042 (12.5%) | 2,020 (16.8%) | 2,653 (14.5%) | 154.6% |
| Female-headed with children under 18 | 317 (29.2%) | 908 (44.8%) | 1,097 (31.1%) | 246.1% |
| Female headed with children under 5* | 149 (37.1%) | 442 (71.1%) | 538 (44.0%) | 261.1% |

*1979 numbers include 5 year olds. Source: U.S. Census.

## Poverty and Race

Among racial/ethnic groups, American Indians experienced the highest poverty rate at 25.1 percent and Whites had the lowest at 10.7 percent. American Indians, Other races and those of Hispanic Origin were represented at a disproportionately higher rate among those in poverty than in the overall population. Those who experienced an increase in the poverty rate from 1989 included Asian/Pacific Islanders, Other races and those of Hispanic Origin.

| Race Ethnicity | % of Total Population 1999 | % of Poverty Population 1999 | Poverty Rate by Race 1999 | Poverty Rate by Race 1989 |
|---|---|---|---|---|
| White | 91.9% | 83.9% | 10.7% | 13.0% |
| Black | 0.4% | 0.8% | 23.8% | 40.0% |
| American Indian | 1.6% | 3.4% | 25.1% | 36.2% |
| Asian/PI | 0.6% | 0.9% | 18.1% | 13.6% |
| Other | 5.5% | 10.9% | 23.1% | 20.3% |
| Hispanic Origin* | 9.8% | 18.7% | 22.3% | 17.2% |

NOTE: Categories include those identifying themselves as Hispanic. *Those of Hispanic Origin may be of any race. Source: U.S. Census.

## Public Assistance

According to the 2000 Census, 1,452 households or 2.1 percent of all households in Yavapai County received public assistance. The mean or average amount of public assistance income for 1999 was $2,887, a decrease from the $4,222 average of 1989 and $4,964 in 1979. Participation levels in the Food Stamp and Temporary Assistance to Needy Families (TANF) programs serve as indicators of poverty. In 2000, 5,456 people or 3.3 percent of the population received food stamps. At the same time, 574 or 1.2 percent of families were enrolled in TANF.

| Public Assistance (PA) | Base Year | 1990 | 2000 | % Change 1990-2000 | % Change Base Yr-2000 |
|---|---|---|---|---|---|
| Households receiving PA (1980) | 1,169 | 2,359 | 1,452 | -38.4% | 24.2% |
| Persons Food Stamps (1985*) | 4,093 | 6,768 | 5,456 | -19.4% | 33.3% |
| Families AFDC-TANF (1985*) | 392 | 836 | 574 | -31.3% | 46.4% |

NOTE: Base year in parentheses. *April figures. Source U.S. Census and Arizona Department of Economic Security.

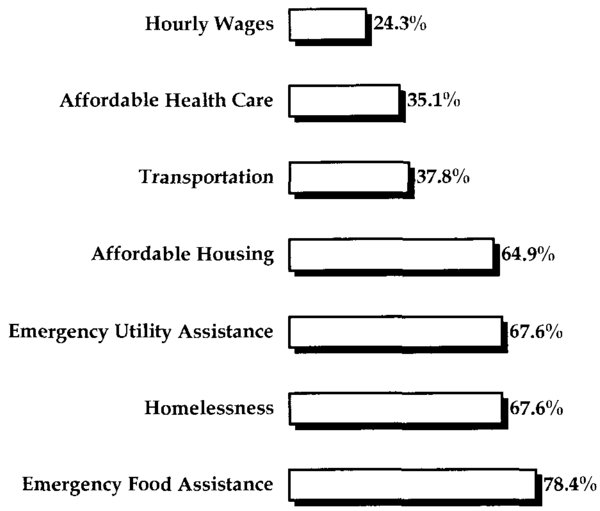
## Self-Sufficiency

According to an Arizona Children's Action Alliance report completed in 2002, "The Self-Sufficiency Standard for Arizona," a single parent with an infant and a preschool-age child needs to earn a minimum of $33,276 annually to cover basic expenses in Yavapai County. In comparison, the following chart notes that a two parent household with an infant and a preschool-age child would need to make $40,023 annually, while a single adult would need $14,552 to cover basic living needs in Yavapai County.

| Monthly Costs | Adult | Adult + Infant Preschooler | 2 Adults + Infant Preschooler |
|---|---|---|---|
| *Housing* | 416 | 557 | 557 |
| *Child Care* | 0 | 825 | 825 |
| *Food* | 176 | 345 | 496 |
| *Transportation* | 221 | 227 | 437 |
| *Health Care* | 104 | 294 | 363 |
| *Miscellaneous* | 92 | 225 | 268 |
| *Taxes* | 204 | 480 | 570 |
| *Earned Income Tax Credit (-)* | 0 | 0 | 0 |
| *Child Care Tax Credit (-)* | 0 | -80 | -80 |
| *Child Tax Credit* | 0 | -100 | -100 |
| *Self-Sufficiency Wage:* | | | |
| *Hourly* | **$6.89** | **$15.76** | **$9.48 Per adult** |
| *Monthly* | **$1,213** | **$2,773** | **$3,335** |
| *Annual* | **$14,552** | **$33,276** | **$40,023** |

## Perceptions from the Community

Two meetings were held in Yavapai County to discuss the issues around poverty. The chart below shows the percentage of participants surveyed who believe conditions have gotten ***worse*** in the following areas over the last ten years:




More specifically, participants comments included:

- Increasing medical insurance and prescription medicine plans.
- A new belief system about the poor is needed.
- The need to create a sense of community.
- Increasing car donations to help low income people get to jobs, keep jobs, and go to college.
- Provide job coaches to assist people find opportunities across social classes.
- Give people in poverty a sense of hope.

# Yuma County

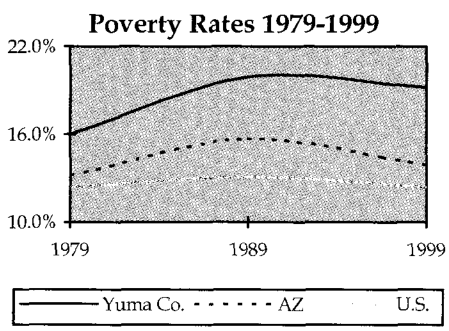
The 2000 Census revealed 160,026 people living in Yuma County, a 49.7 percent increase from the 1990 Census of 106,895. In 1999, Yuma County had over 19 percent of its population or 29,670 people living below the poverty level. The rate increases to 33.5 percent for those living on the Cocopah and Fort Yuma Reservations. While the overall percentage of people in poverty remained virtually the same over the last ten years, the number of people in poverty increased significantly. Yuma County experienced a 44.4 percent increase since 1989 when 20,552 people or 19.9 percent of the county's population lived in poverty.

### Poverty in Selected Communities

| Number of Persons Below Poverty Level (Poverty Rate) | 1989 | 1999 | % Change |
|---|---|---|---|
| San Luis | 1,648 (34.9%) | 4,645 (35.8%) | 181.9% |
| Somerton | 2,320 (44.0%) | 1,928 (26.6%) | -16.9% |
| Yuma | 8,621 (16.0%) | 10,910 (14.7%) | 26.6% |
| Reservations | 335 (56.4%) | 364 (33.5%) | 8.7% |
| Yuma County | 20,552 (19.9%) | 29,670 (19.2%) | 44.4% |
| Arizona | 564,362 (15.7%) | 698,669 (13.9%) | 23.8% |

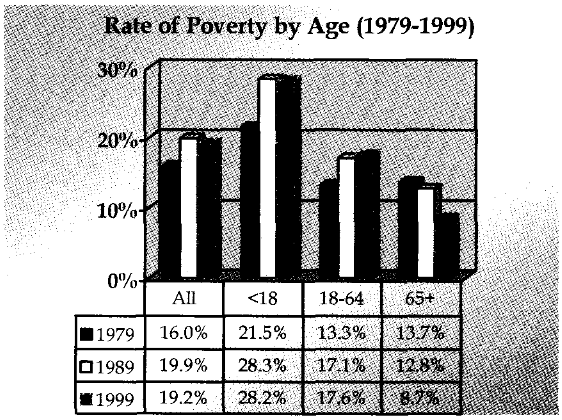
Source: U.S. Census and Research Advisory Services, Inc.

Over the last twenty years, Yuma County doubled the number of people below the poverty rate from 13,987 in 1979 to 29,670 in 1999. In 1999, Yuma County's poverty rate continues to be higher than the state average of 13.9 percent and the national average of 12.4 percent.




## Poverty and Age

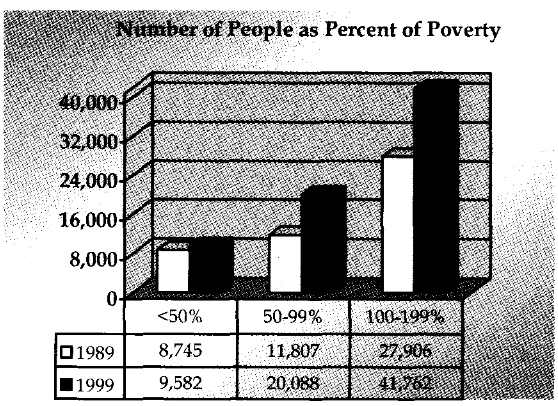
In 1999, among all age categories examined, children under 18 years of age experienced the highest rate of poverty at 28.2 percent, while those 65 and older had the lowest rate at 8.7 percent. Over the last ten years, the rate of poverty has stayed basically the same for all age groups, except those over 65 who experienced an improvement from 12.8 percent in 1989 to 8.7 percent in 1999.




Source: U.S Census.

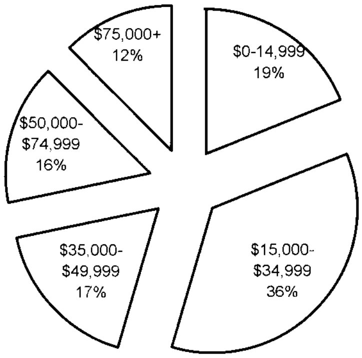
## Poverty and Income Levels

Examination of the income to poverty ratio reveals that 9,582 people or one-third of those below the poverty rate in Yuma County were *very poor,* with incomes less than 50 percent of the poverty threshold. Another 41,762 people had incomes equal to or above the poverty level, but less than 199 percent (ACAA's definition of "working poor"). ***In total, there are 71,432 people in Yuma County who are poor or "working poor," 46.3 percent of the county's total population.***




Source: U.S Census.

*1999 Household Income Distribution - Yuma County*




Source: U.S Census. Note: The median household income in Yuma County was $32,182 in 1999 compared to $23,635 in 1989 (36.2 percent increase).

From 1990 to 1999, local total personal income in Yuma County increased 72.2 percent compared to the state's roughly 90 percent (according to the Arizona Department of Economic Security). On a per capita basis, the gain of 36.7 percent was 9.6 percent below the state's growth of 46.3 percent. Yuma County per capita income was $18,452 in 1999, about 73.3 percent of the state average, down from 78.4 percent in 1990. Average earnings per job increased 0.6 percent in 1999 - less than the state's gain of 4.1 percent.

## Poverty and Families

In 1999, the poverty rate among all families with children under 18 years of age living in Yuma County was 24.4 percent. The rates for families with children headed by single females were 45.1 percent and even higher with younger children (less than 5 years) at 52.6 percent. Married couple families with children experienced a lower rate at 18.5 percent.

| Number Below Poverty Level (Poverty Rate) | 1979 | 1989 | 1999 | % Change '79-'99 |
|---|---|---|---|---|
| All | 2,942 (12.3%) | 4,341 (15.4%) | 6,490 (15.5%) | 120.6% |
| With children under 18 | 2,163 (16.5%) | 3,593 (23.7%) | 5,278 (24.4%) | 144.0% |
| Female-headed with children under 18 | 780 (46.0%) | 1,397 (54.7%) | 1,903 (45.1%) | 144.0% |
| Female headed with children under 5* | 382 (51.5%) | 719 (69.7%) | 828 (52.6%) | 116.8% |

*1979 numbers include 5 year olds. Source: U.S. Census.

## Poverty and Race

Among racial/ethnic groups, other races, American Indians and those of Hispanic Origin experienced the highest poverty rates at 29.1 percent, 28.9 percent and 28.2 percent. Other races and those of Hispanic Origin were represented at a disproportionately higher rate among those in poverty than in the overall population. All races saw an improvement in rates from 1989 except Asian/Pacific Islanders.

| Race Ethnicity | % of Total Population 1999 | % of Poverty Population 1999 | Poverty Rate by Race 1999 | Poverty Rate by Race 1989 |
|---|---|---|---|---|
| White | 68.3% | 53.1% | 14.4% | 16.5% |
| Black | 2.2% | 1.9% | 15.7% | 16.5% |
| American Indian | 1.6% | 2.6% | 28.9% | 40.6% |
| Asian/PI | 1.1% | 0.4% | 7.6% | 6.1% |
| Other | 26.8% | 42.0% | 29.1% | 33.2% |
| Hispanic Origin* | 50.5% | 76.9% | 28.2% | 33.4% |

NOTE: Categories include those identifying themselves as Hispanic. *Those of Hispanic Origin may be of any race. Source: U.S. Census.

## Public Assistance

According to the 2000 Census, 1,878 households or 3.5 percent of all households in Yuma County received public assistance. The mean or average amount of public assistance income for 1999 was $2,408, a decrease from the 1989 average of $3,398 and $3,571 in 1979. Participation levels in the Food Stamp and Temporary Assistance to Needy Families (TANF) programs serve as indicators of the extent of poverty. In 2000, 12,095 people or 7.6 percent of the population received food stamps. At the same time, 923 or 2.2 percent of families were enrolled in TANF.

| Public Assistance (PA) | Base Year | 1990 | 2000 | % Change 1990-2000 | % Change Base Yr-2000 |
|---|---|---|---|---|---|
| Households receiving PA (1980) | 1,476 | 2,654 | 1,878 | -35.0% | 9.2% |
| Persons Food Stamps (1985*) | 6,727 | 12,083 | 12,095 | 0.1% | 79.8% |
| Families AFDC-TANF (1985*) | 584 | 1,179 | 923 | -21.7% | 58.0% |

NOTE: Base year in parentheses. *April figures. Source U.S. Census and Arizona Department of Economic Security.

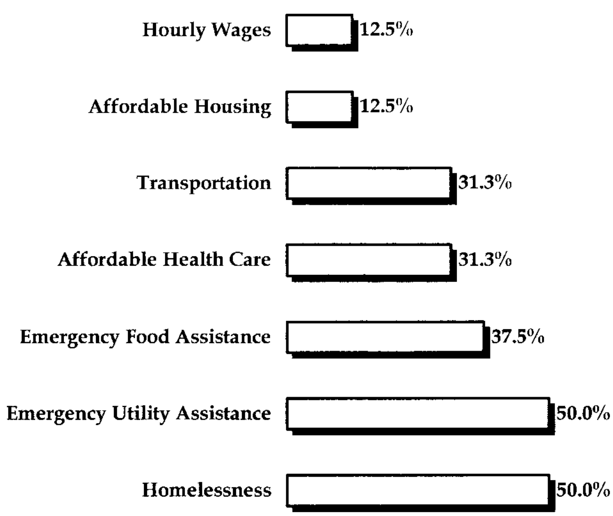
## Self-Sufficiency

According to an Arizona Children's Action Alliance report completed in 2002, "The Self-Sufficiency Standard for Arizona," a single parent with an infant and a preschool-age child needs to earn a minimum of $33,410 annually to cover basic expenses in Yuma County. In comparison, the following chart notes that a two parent household with an infant and a preschool-age child would need to make $40,308 annually, while a single adult would need $15,350 to cover basic living needs in Yuma County.

| Monthly Costs | Adult | Adult + Infant Preschooler | 2 Adults + Infant Preschooler |
|---|---|---|---|
| *Housing* | 453 | 603 | 603 |
| *Child Care* | 0 | 781 | 781 |
| *Food* | 176 | 345 | 496 |
| *Transportation* | 230 | 235 | 453 |
| *Health Care* | 103 | 290 | 359 |
| *Miscellaneous* | 96 | 225 | 269 |
| *Taxes* | 222 | 484 | 578 |
| *Earned Income Tax Credit (-)* | 0 | 0 | 0 |
| *Child Care Tax Credit (-)* | 0 | -80 | -80 |
| *Child Tax Credit* | 0 | -100 | -100 |
| ***Self-Sufficiency Wage:*** | | | |
| *Hourly* | **$7.27** | **$15.82** | **$9.54 Per adult** |
| *Monthly* | **$1,279** | **$2,784** | **$3,359** |
| *Annual* | **$15,350** | **$33,410** | **$40,308** |

## Perceptions from the Community

Participants attending the community meeting held in Yuma County discussed major concerns regarding poverty and solutions for change. The chart below shows the percentage of participants surveyed who believe conditions have gotten *worse* in the following areas over the last ten years:




More specifically, participants discussed:

- Transportation concerns and the inability of low-income people to afford a car.
- Literacy concerns and the accessibility of classes.
- Citizenship issues are present and many workers need guidance and support.
- Job training and economic development needs beyond low-wage agriculture.

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# Arizona Community Action Agencies

*Community Action Human Resources Agency (CAHRA)*
311 North Main Street
Eloy, AZ 85231
(520) 466-1112 FAX (520) 466-0013

*Coconino County Community Services Department*
2625 N. King Street
Flagstaff, AZ 86004
(928) 522-7979 FAX (928) 522-7965

*Gila County Division of Health and Community Services*
5515 S. Apache Avenue
Globe, AZ 85501
(928) 425-7631 FAX (928) 425-9468

*Maricopa County Human Services Department*
Community Services Division
234 N. Central Suite 300
Phoenix, AZ 85009
(602) 506-5911 FAX (602) 506-8789

*City of Mesa Community Revitalization Division*
20 E. Main Street, Suite 250
Mesa, AZ 85211-1466
(480) 644-2968 FAX (480) 644-4842

*Northern Arizona Council of Governments (NACOG)*
119 East Aspen Avenue
Flagstaff, AZ 86001
(928) 778-1422 FAX (928) 778-1756

*City of Phoenix, Human Services Department*
200 W. Washington, 18th Floor
Phoenix, AZ 85003-1611
(602) 262-6666 FAX (602) 495-0870

*Pima County Community Action Agency*
406 N. Church Ave.
Tucson, AZ 85701
(520) 884-4265 FAX (520) 884-5076

*Southeastern Arizona Community Action Program (SEACAP)*
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Applied Public Policy Research
APPRISE
Institute for Study and Evaluation

**DATE:** May 25, 2005 (Updated June 12, 2005)

**TO:** Sue Present

**FROM:** APPRISE Incorporated

**SUBJECT:** Energy Needs: Profile of Low Income Households – Phoenix and Arizona

## Introduction

Policymakers and program managers need information about the energy needs of low-income households to make effective decisions related to program design, operations, and evaluation. Decisions need to be made at the national, state, and local levels; therefore, information needs to be developed for each of those levels as well. In this report, APPRISE uses existing data sources to develop information on the energy needs of low-income households for decision makers in Arizona. The statistics and figures presented in this report represent examples of the broad array of information that can be obtained from existing data sources. Moreover, the findings in this report provide valuable information about the needs and characteristics of low-income households in the United States, Arizona, and the Phoenix metropolitan area. The information presented in this report includes:

- National-level Data: Decision makers in Arizona can use this information to understand the similarities and differences between energy needs of Arizona households and households throughout the United States.
- State-level Data: Arizona LIHEAP managers can use this information to make decisions regarding the design of their statewide program.
- Local-level Data: Local organizations in Phoenix can use this information to improve integration of energy assistance programs with other programs designed to assist low-income households.

## Methodology

Each state selects its own LIHEAP income eligibility standard.[1] For this profile, low-income households have been identified using the current Arizona LIHEAP income eligibility standard of 150 percent of the Federal Poverty Guidelines, which was $27,600 for a four-person household in 2003. APPRISE used the year-appropriate federal poverty guideline threshold values when analyzing data for this report. Throughout the document, the terms low-income, LIHEAP eligible, and LIHEAP income-eligible are used interchangeably.

[1] LIHEAP grantees can set the household income cutoff at any figure no less than 110 percent of the Federal Poverty Guidelines and no more than the greater of 150 percent of the Federal Poverty Guidelines or 60 percent of state median income (http://www.acf.dhhs.gov/programs/liheap/eligible.htm).

APPRISE used data from various sources to generate the information provided in this report:

- National-level Data: APPRISE used data from the United States Division of Energy Assistance and the United States Energy Information Administration.
- State-level Data: APPRISE developed statistics for the state of Arizona using the Census 2000 Public Use Microdata (PUMS) Five Percent Sample and the 2002-2004 Current Population Survey Annual Social and Economic Supplement (ASEC).
- Local-level Data: APPRISE developed statistics for the Phoenix metropolitan area using the 2002 American Housing Survey (AHS) Phoenix Metropolitan Area Sample.

**Impact of Poverty and Energy Prices on Low-Income Households in the United States**

In the United States, the poverty rate and energy prices are increasing.

- The poverty rate has increased from 11.3% in 2000 to 12.5% in 2003.[2]
- Electricity prices have risen from 8.24 cents per kWh in 2000 to 8.94 cents in 2004.
- Natural Gas prices have risen from $7.76 per Thousand Cubic Feet in 2000 to $10.74 in 2004.[3]
- The total residential energy bill for all low-income households has increased from $25.1 billion in 2001 to $28.3 billion in 2003.[4] The total residential energy bill increase results from both the growth in the number of low-income households and the rise in average home energy bills.

Energy burden is a statistic that is often used to assess the difficulties that households have in paying their energy bills. Energy burden is defined as the percent of income spent on energy. In 2003, the median residential energy burden was 3 percent for all households and 10 percent for all low-income households.[5]

Energy gap is defined as the dollar amount needed to reduce a customer's energy burden to an amount equal to a specified energy burden percentage. In 2003, the total dollar amount needed to ensure that no American low-income household spends more than 15 percent of income on

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[2] 2000 Report: Dalaker, Joseph, U.S. Census Bureau, Current Population Reports, Series P60-214, Poverty in the United States: 2000, U.S. Government Printing Office, Washington, DC, 2001. 20-03 Report: DeNavas-Walt, Carmen, Bernadette D. Proctor, and Robert J. Mills, U.S. Census Bureau, Current Population Reports, P60-226, Income, Poverty, and Health Insurance Coverage in the United States: 2003, U.S. Government Printing Office, Washington, DC, 2004.
[3] Energy Information Administration, U.S. Department of Energy. "Monthly Energy Review, April 2005", Table 9.9 (Average Retail Prices of Electricity) and Table 9.11 (Natural Gas Prices).
[4] U.S. Department of Health and Human Services, Administration for Children and Families, Office of Community Services, Division of Energy Assistance. LIHEAP Home Energy Notebook For Fiscal Year 2003: Page 22, Figure 3-13.
[5] U.S. Department of Health and Human Services, Administration for Children and Families, Office of Community Services, Division of Energy Assistance. LIHEAP Home Energy Notebook For Fiscal Year 2003. All U.S. Households: Page 54, Figure A-2c. All Low-Income Households (150 percent of the federal poverty guidelines): Page 17, Figure 3-6.

residential energy was $4.9 billion. The total dollar amount required to reduce residential energy bills for low-income households to 25 percent of income was $2.7 billion.[6]

**Impact of Poverty and Energy Prices on Low-Income Households in Arizona**

Arizona policymakers and program managers can use state-level information to understand the energy needs of Arizona households. Arizona is a microcosm of the national trends in poverty and energy prices. Arizona is a growing state with an increasing population of low-income households. As shown in Table 1, the number of households in Arizona that are income-eligible for LIHEAP increased by 73,000 households in just three years, from 362,800 in 2000 to 436,000 in 2003.

**Table 1**
**Arizona LIHEAP Eligible Households (2000 and 2003)**

| | Number of Households | Percent of all Arizona Households |
|---|---|---|
| **LIHEAP Eligible Households, 2000** | 362,800[1] | 19.1% |
| **LIHEAP Eligible Households, 2003** | 436,000[2] | 21.4% |

[1] Source: 2000 Decennial Census PUMS 5 Percent Sample.
[2] Source: Three-year Average of the CPS ASEC 2002-2004.

Table 2 displays the changes in natural gas and electricity prices in Arizona from 1999 to 2001. Natural gas prices rose 16 percent from $8.99 per Million BTU in 1999 to $10.45 in 2001. Electricity prices remained stable between 1999 and 2001.[7] Based on the rise in national energy prices since 2000 described on page two, energy prices in the state of Arizona have probably also increased since 2001.

**Table 2**
**Arizona Historical Energy Prices (1999-2001)**

| Year | Natural Gas | Electricity |
|---|---|---|
| **1999** | 8.99 | 25.01 |
| **2000** | 9.33 | 24.73 |
| **2001** | 10.45 | 24.32 |

Source: Table 2. EIA Arizona State Energy Data 2001. Prices in Nominal Dollars per Million BTU.

[6] U.S. Department of Health and Human Services, Administration for Children and Families, Office of Community Services, Division of Energy Assistance. LIHEAP Home Energy Notebook For Fiscal Year 2003: Page 21, Figure 3-12.
[7] State data beyond 2001 has not been published by EIA. APPRISE will seek out additional information sources to update the energy price table data closer to 2005 for the next draft of these findings. APPRISE would appreciate assistance from any of the Arizona utility companies or NLIEC board members in obtaining state-level energy price data.

In Arizona, energy expenditures, particularly related to cooling for the elderly, disabled, and young children, are not a luxury, but a necessity due to extreme summer high temperatures that average over 100 degrees during the months of June, July, and August. High-energy prices and the need for energy have a direct impact on the amount of money that low-income households spend on energy. Table 3 shows that 26 percent of LIHEAP eligible households reported that they spent more than $1,500 per year on residential energy expenditures.

**Table 3**
**Energy Expenditures for Arizona LIHEAP Eligible Households (1999)**

| | Percent of Households |
|---|---|
| No Separate Energy Bill | 10% |
| Less than $500 | 12% |
| $500 - $999 | 27% |
| $1,000 - $1,499 | 25% |
| $1,500 - $1,999 | 13% |
| Over $2,000 | 13% |
| All LIHEAP Eligible Households | 100% |

Source: 2000 Decennial Census PUMS 5 Percent Sample.

Table 4 shows that 44 percent of LIHEAP eligible households in Arizona had an energy burden of 10 percent or greater (i.e., spent 10 percent or more of their income on total residential energy). Moreover, 17 percent of LIHEAP eligible households had an energy burden of 25 percent or greater. By comparison, the median residential energy burden for all US households was 3 percent.

**Table 4**
**Energy Burden for Arizona LIHEAP Eligible Households (1999)**

| | Percent of Households |
|---|---|
| No Separate Energy Bill | 10% |
| Less than 5% | 17% |
| 5 - <10% | 28% |
| 10 - <15% | 16% |
| 15 - <20% | 7% |
| 20 - <25% | 4% |
| 25% or greater | 17% |
| All LIHEAP Eligible Households | 100% |

Source: 2000 Decennial Census PUMS 5 Percent Sample.

The needs of low-income Arizona households are growing faster than the State's capacity to provide energy assistance. In FY 2004, LIHEAP provided $5.7 million in home energy assistance to nearly 18,600 low-income households in Arizona.[8] However, as shown in Table 5, the LIHEAP recipient households represent only 4 percent of the LIHEAP income-eligible households in Arizona.

**Table 5**
***Arizona LIHEAP Eligible and Recipient Households (2003)***

| | Number of Households |
|---|---|
| **LIHEAP Eligible** | 436,000[1] |
| **LIHEAP Recipient** | 18,600[2] |

[1] Source: Three-year Average of the CPS ASEC 2002-2004.
[2] Source: LIHEAP Household Reports FY 2004.

Decision makers can estimate the severity of the energy needs for low-income Arizona households by considering the funding level needed to ensure that no low-income household spent more than a certain percentage of income on energy expenses. Although there is no standard measure of energy affordability, Table 6 displays the funding needed to reduce the energy burden of low-income Arizona households in 1999 to 5 percent, 10 percent, and 25 percent.

- 5 Percent Energy Burden: There were approximately 266,700 LIHEAP eligible households with energy burdens greater than 5 percent. It would require over $222 million of assistance to reduce their energy bills to 5 percent of household income.

- 10 Percent Energy Burden: There were approximately 166,000 LIHEAP eligible households with energy burdens greater than 10 percent. It would require over $128 million of assistance to reduce their energy bills to 10 percent of household income.

- 25 Percent Energy Burden: There were approximately 68,500 LIHEAP eligible households with energy burdens greater than 25 percent. It would require $57 million of assistance to reduce their energy bills to 25 percent of household income.

In FY 2004, LIHEAP provided $5.7 million of benefits to 18,600 households. Arizona expended $16.4 million of additional resources to supplement LIHEAP and low-income energy efficiency programs.[9] In total, Arizona households received over $22 million in energy assistance benefits. However, the dollars needed to ensure that no LIHEAP eligible Arizona household spends more than 5 percent of household income on residential energy is over $222 million.

[8] The number of FY 2004 LIHEAP recipients was obtained from Arizona's FY 2004 LIHEAP household reports. The amount of FY 2004 benefits provided was obtained from Arizona's FY 2004 LIHEAP Grantee Survey for FY 2004.
[9] http://www.liheap.ncat.org/Supplements/2004/supplement04.htm (Source Date: May 17, 2005; Download Date: June 9, 2005)

**Table 6**
**Energy Gap for Arizona LIHEAP Eligible Households (1999)**

| | Number of Households | Energy Gap |
|---|---|---|
| **Households with Energy Burdens Greater Than 5%** | 266,700 | $222,100,000 |
| **Households with Energy Burdens Greater Than 10%** | 166,000 | $128,400,000 |
| **Households with Energy Burdens Greater Than 25%** | 68,500 | $57,000,000 |

Source: 2000 Decennial Census PUMS 5 Percent Sample.

### Demographic Characteristics of Low-Income Households in Arizona

Arizona policymakers and program managers could use additional state-level information to make decisions that are more directly appropriate to the particular financial and demographic needs of low-income households in Arizona. For example, decision makers need information on demographic characteristics, which could be used to target limited State funding to the most vulnerable populations where assistance might have the greatest impact.

The LIHEAP statute identifies vulnerable and high energy-burden households as having the highest home energy needs. The statute defines a vulnerable household as those with at least one member that is a young child, an individual with disabilities, or a frail older individual. LIHEAP has explicit national performance goals for FY 2003 that include increasing the percentage of LIHEAP recipient households having at least one member age 60 years or older or age 5 years or younger.[10]

The following tables describe the characteristics of these LIHEAP eligible households. The majority of LIHEAP eligible households in Arizona have at least one vulnerable member. These households are vulnerable with respect to poverty, rising energy prices, and high energy burdens. These vulnerable individuals, in particular the elderly population, are also at great health risk due the extreme summer heat in Arizona. Table 7 shows that 73 percent of all LIHEAP eligible households reported having at least one household member who is an elderly (i.e., age 60 years or older) individual, a disabled individual, or a young (i.e., age five years or younger) child. The information reveals that targeting assistance benefits will be a challenge for Arizona decision makers, because most low-income Arizona households have vulnerable individuals.

**Table 7**
**Arizona LIHEAP Eligible Households with Any Vulnerable Group Members (2003)**

| | Number of Households | Percent of Households |
|---|---|---|
| **Household With Vulnerable Member(s)** | 316,500 | 73% |

[10] U.S. Department of Health and Human Services, Administration for Children and Families, Office of Community Services, Division of Energy Assistance. LIHEAP Home Energy Notebook For Fiscal Year 2003: Page ix.

| | Number of Households | Percent of Households |
|---|---|---|
| **Household with No Vulnerable Members** | 119,500 | 27% |
| **All LIHEAP Eligible Households** | 436,000 | 100% |

Source: Three-year Average of the CPS ASEC 2002-2004.

Table 8 describes the number of LIHEAP eligible households that reported having one or more household members particularly vulnerable to unaffordable energy bills. Thirty-five percent of households reported having at least one household member who was elderly, 15 percent reported having at least one household member who was nonelderly and disabled, and 27 percent reported having at least one household member who was a young child.

**Table 8**
**Arizona LIHEAP Eligible Households with Vulnerable Group Members (2003)**

| | Number of Households | Percent of Households |
|---|---|---|
| **Household With Elderly (Age 60 or older)** | 154,100 | 35% |
| **Household With Nonelderly Disabled** | 64,375 | 15% |
| **Household With Young Child (Age 5 or under)** | 117,200 | 27% |

Source: Three-year Average of the CPS ASEC 2002-2004.

Table 9 presents the number of LIHEAP eligible households that reported receiving income from public assistance (e.g., TANF), Supplemental Security Income, or Social Security. Six percent reported receiving public assistance benefits, another 6 percent received supplemental security income, 30 percent received social security, and 58 percent reported not having received benefits from any income program.

**Table 9**
**Income Program Participation of Arizona LIHEAP Eligible Households (2003)**

| | Number of Households | Percent of Households |
|---|---|---|
| **Public Assistance** | 24,600 | 6% |
| **Supplemental Security Income** | 26,400 | 6% |
| **Social Security** | 132,400 | 30% |
| **No Income Program Participation** | 252,600 | 58% |
| **All LIHEAP Eligible Households** | 436,000 | 100% |

Source: Three-year Average of the CPS ASEC 2002-2004.

As shown in Table 10, 21 percent of all LIHEAP eligible households reported that the household was a single parent household.

**Table 10**
**Single-Parent Arizona LIHEAP Eligible Households (2003)**

| | Number of Households | Percent of Households |
|---|---|---|
| **Single-Parent Household** | 90,300 | 21% |
| **Not Single Parent Household** | 345,700 | 79% |
| **All LIHEAP Eligible Households** | 436,000 | 100% |

Source: Three-year Average of the CPS ASEC 2002-2004.

Table 11 shows that 15 percent of all LIHEAP eligible households reported that the primary language spoken in their household is Spanish and none of the household members speak English "very well". Given this data, it is incumbent on program managers to design programs to accommodate the language needs of their population.

**Table 11**
**Linguistically Isolated Arizona LIHEAP Eligible Households (2000)**

| | Number of Households | Percent of Households |
|---|---|---|
| **Spanish Isolation** | 54,800 | 15% |
| **Not Isolated** | 308,000 | 85% |
| **All LIHEAP Eligible Households** | 362,800 | 100% |

Source: 2000 Decennial Census PUMS 5 Percent Sample.

In Arizona, cooling needs are not a luxury for these low-income households. Households with elderly, disabled, or children are at great risk for heat-related illnesses during the extreme Arizona summer. Table 12 displays the average high temperature during the warm weather months in Arizona. The average high temperature during the months between April and October is above 90 degrees with temperatures above 100 for most of June, July, and August.

**Table 12**
**Historical Weather Data (April – Oct)**

| Month | Average High Temperature |
|---|---|
| **Apr** | 84.8 |
| **May** | 93.3 |
| **Jun** | 102.9 |
| **Jul** | 105.2 |
| **Aug** | 103.6 |
| **Sep** | 99.3 |
| **Oct** | 89.3 |

Source: Western Regional Climate Center.[11]

**The Energy Needs of Low-Income Households in Phoenix**

In addition to information related to energy needs and demographic characteristics of low-income households, policymakers and program managers at the local level might also consider information related to other factors that are associated with energy (e.g., housing) for the purposes of devising complementary direct assistance programs. These decision makers can use statistical information on the relationship between energy needs and housing adequacy to develop policies and procedures to more effectively operate energy assistance programs that complement housing programs.

As shown in Table 13, approximately 203,800 households in Phoenix, or 17.5% of all Phoenix households, are LIHEAP eligible.

**Table 13**
**Phoenix LIHEAP Eligible Households (2002)**

| | Number of Households | Percent of all Phoenix Households |
|---|---|---|
| **LIHEAP Eligible Households, 2002** | 203,800 | 17.5% |

In Phoenix, the extreme summer temperature creates a substantial need for cooling energy, particularly in households with an elderly person, disabled person, or young child. These households come to rely on air conditioners not as a luxury, but as an essential appliance for health-related use. Table 14 displays the number of LIHEAP eligible households in Phoenix with and without air conditioning units[12]. With steady summer high temperatures above 100 degrees, 23,400 (or 12 percent of 203,800) LIHEAP eligible households in Phoenix do not have air conditioning units.

**Table 14**
**Phoenix LIHEAP Eligible Households with Air Conditioning Units (2002)**

| | Number of Households | Percent of Households |
|---|---|---|
| **Household With Air Conditioning Unit(s)** | 180,400 | 88% |
| **Household with no Air Conditioning Unit** | 23,400 | 12% |
| **All LIHEAP Eligible Households** | 203,800 | 100% |

Source: 2002 American Housing Survey, Phoenix Metropolitan Area Sample.

The significant need for air conditioning comes at a price. In a table not shown here, we find that those LIHEAP eligible households with air conditioners are paying heavily for that necessity.

[11] Period of Record Monthly Climate Summary; Phoenix, Arizona. Period of Record 7/1/1948 – 12/31/1998.
[12] Evaporative coolers are not included in the American Housing Survey definition of air conditioning units and the survey does not provide data about the use of evaporative coolers.

Among the 180,400 low-income households that have an air conditioning unit, 37 percent have energy burdens at or greater than 10% and 18 percent have energy burdens at or greater than 25%.

Table 15 reports the energy burden statistics for the Phoenix Metropolitan area. In Phoenix, 37 percent of LIHEAP eligible households had an energy burden of 10 percent or greater. Moreover, 18 percent of LIHEAP eligible households had an energy burden of 25 percent or greater. As evidenced by table 4, the energy burden distribution for LIHEAP eligible households in Phoenix is very similar to the distribution for LIHEAP eligible households throughout Arizona.

**Table 15**
**Energy Burden for Phoenix LIHEAP Eligible Households (2002)**

| | Number of Households | Percent of Households |
|---|---|---|
| **No Separate Energy Bill** | 21,400 | 11% |
| **Less than 5%** | 50,700 | 25% |
| **5 - <10%** | 54,300 | 27% |
| **10 - <15%** | 18,900 | 9% |
| **15 - <20%** | 12,600 | 6% |
| **20 - <25%** | 8,600 | 4% |
| **25% or greater** | 37,300 | 18% |
| **All LIHEAP Eligible Households** | 203,800 | 100% |

Source: 2002 American Housing Survey, Phoenix Metropolitan Area Sample.

Policymakers and researchers often focus on shelter burden when considering the plight of low-income households. Shelter burden is defined as the percent of income spent on housing costs (including residential energy costs). According to the United States Department of Housing and Urban Development (HUD), the generally accepted definition of affordable housing is "housing for which the occupant is paying no more than 30 percent of his or her income for gross housing costs, including utilities;[13] families who pay more than 30 percent of their income for housing are considered cost burdened and may have difficulty affording necessities such as food, clothing, transportation and medical care."[14]

Some researchers have defined severe shelter burden more conservatively as a household that spends 50 percent or more of their income on shelter costs.[15] Table 16 presents shelter burden and energy burden for LIHEAP eligible households in Phoenix. Nearly all LIHEAP eligible households with an energy burden of 25 percent or greater have a severe shelter burden (i.e., spend 50 percent or more of their income on housing costs). Table 16 shows that as energy

[13] http://www.hud.gov/offices/cpd/library/glossary/a/index.cfm (Source Date: December 6, 2002; Download Date: June 1, 2005)
[14] http://www.hud.gov/offices/cpd/affordablehousing/index.cfm (Source Date: May 27, 2005; Download Date: June 1, 2005)
[15] See Cushing N. Dolbeare. 2001. "Housing Affordability: Challenge and Context." Cityscape: A Journal of Policy Development and Research, (5)2:111-130. A Publication of the U.S. Department of Housing and Urban Development, Office of Policy Development and Research.

burden increases so does the likelihood of having a severe shelter burden. These findings suggest that energy burden has a substantial impact on housing costs.

**Table 16**
**Shelter Burden and Energy Burden for Phoenix LIHEAP Eligible Households (2002)**

| | Shelter Burden | | | | | |
|---|---|---|---|---|---|---|
| | Less than 50% | | 50% or greater | | All LIHEAP Eligible Households | |
| **Energy Burden** | **Number** | **Percent** | **Number** | **Percent** | **Number** | **Percent** |
| **Less than 10%** | 84,700 | 67% | 41,700 | 33% | 126,400 | 100% |
| **10 - <25%** | 13,600 | 34% | 26,600 | 67% | 40,200 | 100% |
| **25% or greater** | 200 | 1% | 37,100 | 99% | 37,300 | 100% |

Source: 2002 American Housing Survey, Phoenix Metropolitan Area Sample.

**Conclusion**

This report presented some examples of the broad array of information that can be developed related to the energy needs of low-income households using existing data sources. Moreover, the analyses presented here provide constructive information about the needs and characteristics of low-income households in the United States, Arizona, and the Phoenix metropolitan area.

The general findings demonstrate that low-income households in Arizona spend a significant amount of their income on residential energy. Moreover, the energy burdens of most LIHEAP eligible Arizona households are significantly higher than the energy burden of the average American household. In addition, the financial commitment to reduce energy bills to 5 percent of income for low-income Arizona households would require over $222 million more in energy assistance funding each year.

Policymakers and program managers can use information developed from existing data sources for program design, operations and evaluation at the national, state, city and neighborhood levels. However, there are limitations to what can be learned from these data. For example, the sources presented in this report do not provide information regarding how individual households manage their unaffordable energy needs. Further questions like these can be investigated by talking directly to customers via in-depth interviews and surveys, as seen in the work conducted by Roger Colton on energy insecurity.

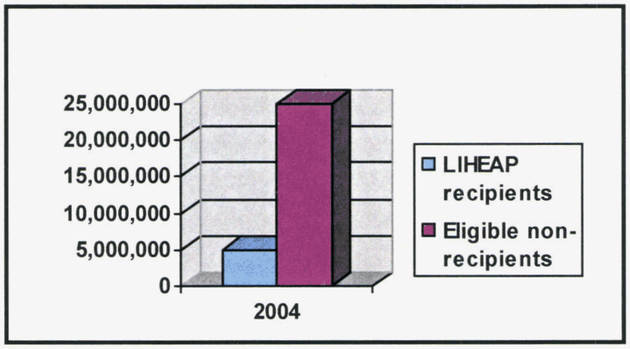
# Federal Fuel Assistance Reduces Health Risks for Young Children

## Prepared for National Fuel Funds Network's Washington Action Day for LIHEAP, February 1, 2007

Data from the Children's Sentinel Nutrition Assessment Program (C-SNAP) suggest that participation in the Low Income Home Energy Assistance Program (LIHEAP) can positively affect children's health and development.

- Compared with children in eligible households *not* receiving LIHEAP, children in households receiving LIHEAP experienced:
    - **Decreased nutritional risk for growth problems**
    - **No evidence of increased obesity**
    - **Lower odds of acute hospitalization**

- Public funding for LIHEAP, however, has never been sufficient to serve more than a small minority of income-eligible people. In 2004, LIHEAP benefits reached only five million (17%) of the thirty million eligible households. This means that twenty-*five million American families* did not receive the assistance for which they qualified.
    - The average annual household income among LIHEAP recipients in 2004 was $8000. This extreme level of poverty forces many families to make tough choices about which bills to pay. This terrible dilemma is often termed the "heat or eat" phenomenon.
    - Federal funding for LIHEAP has not increased in recent years, despite rapidly rising energy costs and harsh winter conditions.




- These findings have important implications: although not traditionally considered a federal nutrition-assistance program, LIHEAP exerts a strong influence on children's health and development.
    - From a clinical perspective, pediatric health providers caring for children from low-income families should consider encouraging caretakers to apply early for LIHEAP. C-SNAP's research shows this to be a medically-valid **prescription for better child health**.
    - From a public policy perspective, expanding funding for LIHEAP constitutes a **sound investment in the health and development of America's neediest children**, protecting them from nutritional risk and unnecessary hospitalizations.

***About C-SNAP:*** *C-SNAP is a national network of clinicians and public health specialists whose mission is to be the preeminent nonpartisan resource for research in pediatric settings on the effect of U.S. social policy on young, low-income children's health and nutrition. C-SNAP's research is based on a sample of nearly 24,000 children under age 3 from seven urban medical centers across the United States.* ***For more information about C-SNAP, please visit [www.c-snap.org](http://www.c-snap.org).***

Boston Medical Center

Harbor-UCLA Medical Center

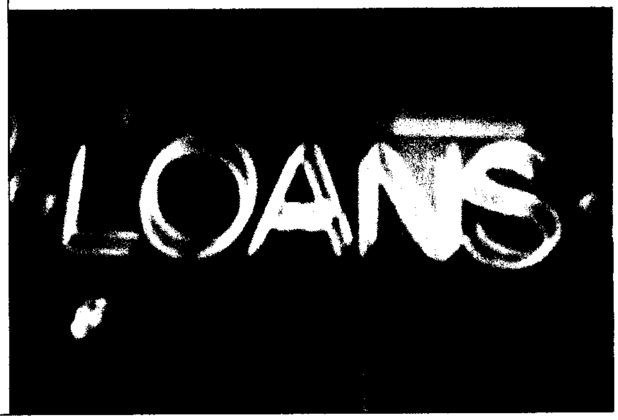
Hennepin County Medical Center

Mary's Center for Maternal and Child Care

St. Christopher's Medical Center

University of Arkansas for Medical Sciences

University of Maryland Medical Center




# Financial Quicksand:

## Payday lending sinks borrowers in debt with $4.2 billion in predatory fees every year

Uriah King, Leslie Parrish and Ozlem Tanik
Center for Responsible Lending

November 30, 2006

CENTER FOR RESPONSIBLE LENDING

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## TABLE OF CONTENTS

## I. EXECUTIVE SUMMARY

***America's working families*** pay billions of dollars in excessive fees every year, as payday lenders across the nation routinely flip small cash advances into long-term, high-cost loans with annual interest rates in the range of 400 percent.

Despite attempts to reform payday lending, now an industry exceeding $28 billion a year, lenders still collect 90 percent of their revenue from borrowers who cannot pay off their loans when due, rather than from one-time users dealing with short-term financial emergencies.

Based on data collected by state regulators, financial records released by payday lenders, and assessments by third-party analysts, we update here our 2003 quantification of the cost of predatory payday lending to American families. Breaking down the impact by state, we also calculate the savings to families in states that have banned payday lending.

### In this report, we find that:

- Ninety percent (90%) of payday lending revenues are based on fees stripped from trapped borrowers, virtually unchanged from our 2003 findings. The typical payday borrower pays back $793 for a $325 loan.

- Predatory payday lending now costs American families $4.2 billion per year in excessive fees.

- States that ban payday lending save their citizens an estimated $1.4 billion in predatory payday lending fees every year.

## II. BACKGROUND

In the late 1990's, observers began to note the swift rise of an industry that marketed loans to working families at annual percentage rates (APRs) of interest that were previously unheard of in the conventional market. Payday lenders were offering what they described as short-term cash advances on their customer's next paycheck for fees starting around $15 per $100 borrowed.[1] This product was revealed to be a loan carrying APRs that generally ranged from 391 percent to 443 percent.[2]

Researchers soon found additional cause for concern: the loans are structured so that borrowers routinely have difficulty paying them off when they are due. By requiring full repayment within a short period of time (generally two weeks), with no option to make payments in installments, lenders compel payday borrowers to return again and again, renewing a loan for another large fee without being able to pay down the principal. This loan flipping is the foundation of the payday lending business model.

***The payday lending industry's growth is based on their success in getting the practice of loan flipping legalized in one state after another.***

Even as the abusive nature of the payday loan product has become clear, the industry continues to grow at a significant pace. From our analysis based on state regulator data, we conclude that payday loan volume is at least $28 billion a year,[3] growing by well over 100 percent over the past 5 years.[4] The payday lending industry's growth is based on their success in getting the practice of loan flipping legalized in one state after another.[5]

### Loan flipping creates the payday lending debt trap

In 2002, several studies documented the incidence of payday loan flipping, including one by a University of North Carolina professor and his associate, who found that payday borrowers frequently renew loans that are marketed as short-term advances on their paychecks. This and other studies found that the payday lending industry relies on a business model that encourages this chronic borrowing.[6]

A 2003 report by the Center for Responsible Lending, "Quantifying the Economic Cost of Predatory Payday Lending," corroborated these studies, finding that the one-time two-week loan that payday lenders market is virtually nonexistent.[7] In the report, we found that only one percent of payday loans go to borrowers who take out one loan per year and walk away free and clear after paying it off. Our analysis found that the industry relies almost entirely on revenue from borrowers caught in a debt trap; ninety-one percent of payday loans go to borrowers with five or more loan transactions per year.

The data show that payday loans are, in fact, designed to be renewed. Contrary to prudent lending practices, payday lenders do not make loans based on the borrower's ability to repay. Borrowers need only a checking account and a pay stub verifying employment to qualify for a payday loan, which averages about $300.[8] The loans are secured by the borrower's signed personal check, which is dated on the borrower's next payday. The lender may submit this "live" check to the bank for payment should the borrower default. But most borrowers are unable to pay the loan back in full when it is due and still have enough cash to make it to their next payday.

The prospect of bouncing the check left in the hands of the lender, often accompanied by fear of criminal prosecution for writing a "bad check," puts tremendous pressure on the borrower to avoid default. So the borrower generally pays another fee, typically $50 on a $300 loan, to renew or float the loan for another pay period. This transaction is called a rollover.

***Only one percent of payday loans go to borrowers who take out one loan per year and walk away free and clear after paying it off.***

Or the lender may close out the loan and reopen it in short order to the same effect, called a back-to-back transaction.[9] Back-to-back transactions and rollovers cost the borrower exactly the same amount, typically $50 every payday until they can pay off the loan in full and walk away. However, back-to-back transactions can be particularly confusing for the borrower. Though they have to repay the first loan before taking out the second loan, the second loan can seem like "new money" since they walk out with cash in their pocket like the first time. In reality, they are borrowing back their own money minus the fee, still paying $50 every payday to keep from defaulting on their $300 loan.

However renewals are accomplished, over time the borrower finds it harder to pay off the loan principal for good as fees are stripped from their earnings every payday. They are frequently trapped paying this interest for months or even years, and many go to a second or third payday lender in an often fruitless attempt to escape the trap.[10] The process of loan flipping creates the long-term cycle we call the debt trap.

## Shifts in the political landscape

By obscuring the long-term nature of their loans, payday lenders were initially successful in convincing state legislators to exempt their product from existing small loan laws.[11] Many states have annual interest rate caps of 36 percent or less for small loans, but have authorized rates ten times higher for payday loans on the grounds that these are emergency two-week loans, not long-term obligations.[12]

***Many states have annual interest rate caps of 36 percent or less for small loans but have authorized rates ten times higher for payday loans.***

Other states recognized the defective nature of the payday loan product and refused to grant payday lenders exemptions from small loan laws, prompting some payday lenders to disguise their loans as other products in order to continue illegal lending practices.[13]

By far the most pervasive method payday lenders have used to circumvent state lending laws is what they call the agency model, also known as "rent-a-bank." Under this arrangement, large payday lending companies typically partner with very small banks located in states with lenient lending laws. The payday lenders claim that their association with the partner bank allows them to preempt state law and make payday loans in states where they would otherwise be illegal.[14]

As rent-a-bank came to the attention of federal regulators, the regulators began clamping down on their banks and disallowing these partnerships. The Office of the Comptroller of the Currency, which regulates national banks, the Office of Thrift Supervision, which regulates federal thrifts, and the Federal Reserve Board, which regulates member state-chartered banks, all prohibited the banks they supervise from partnering with payday lenders to make loans. However, the payday lending companies found willing partners in a handful of small state banks whose federal supervisor was the Federal Deposit Insurance Corporation (FDIC). Payday lenders used this conduit for a number of years to make loans in states that banned the product.[15]

***As regulators have, one-by-one, prohibited rent-a-bank partnerships, payday lenders have lost their means of operating in states where their business is not authorized. This puts increased pressure on state legislatures.***

In March of 2005, the FDIC issued new guidelines regarding payday lending for the banks they regulate.[16] The new requirements prevented banks from participating in payday lender practices that convert short-term loans into very high-cost long-term debt. The guidelines enforced limits of six payday loans per year per borrower, after which the bank would be required to offer a longer-term loan. The March 2005 guidelines and additional FDIC guidance over the past year have prompted almost all FDIC-regulated banks to end their partnerships with payday lenders.

A strong anti-payday lending law, which included a ban against rent-a-bank lending, passed into law in Georgia in 2004. It was upheld in federal court in 2006.[17] In North Carolina, payday lenders had been operating under these rent-a-bank arrangements since the state legislature let the payday authorization law sunset in 2001. The Commissioner of Banks ruled the partnerships illegal and, in December 2005, ordered Advance America to stop their payday lending in the state. Since that time, all the other major payday chains have agreed to leave North Carolina as well, under consent agreements with the state Attorney General.[18]

As regulators have, one-by-one, prohibited rent-a-bank partnerships, payday lenders have lost their means of operating in states where their business is not authorized. To our knowledge, almost all banks that had been long-time participants in rent-a-bank partnerships have severed their ties with national payday lending chains. This puts increased pressure on state legislatures in states that do not exempt payday lending from their small loan laws, as the industry continues its intense lobbying.[19]

Since CRL's 2003 report, several states have attempted to reform payday lending, a few have banned the practice altogether, and a few more have authorized it. As it stands, eleven states are free from payday lending.

## New opportunities for analysis

Several state regulators have begun collecting information from payday lenders operating in their states, including the number of loans per borrower, and have made the data available to the public. Also since our 2003 report, payday lending companies have continued to consolidate into a handful of national chains, and two of these lenders have converted to publicly-held companies. The financial reports filed by these companies provide new details about the payday lending business, including the incidence of repeat borrowing by their customers. And finally, third-party financial analysts have offered more sophisticated assessments of the industry as they have accumulated additional data.

This expanding data from a range of sources allow us to update our 2003 report to capture the current cost of predatory payday lending nationwide and to break down the impact of payday lending by state.

## *III. DISCUSSION OF FINDINGS*

### Finding #1: Ninety percent (90%) of payday lending revenues are based on fees stripped from trapped borrowers, virtually unchanged from our 2003 findings. The typical payday borrower pays back $793 for a $325 loan.

New information from data provided by state regulators, payday lenders' public filings, and assessments of third-party industry analysts confirms the payday lending industry's continued reliance on loan flipping. This information verifies the finding in our 2003 report that nearly all of payday lending revenues are based on fees collected from trapped borrowers.

### State regulator data corroborates high levels of loan flipping

Five states have recently begun collecting information about payday lending activities. Our analysis of data from the four states that have released the relevant information reveals a trend quite similar to our 2003 finding that 91 percent of payday loans are made to borrowers with five or more transactions per year.[20]

**Table 1. Percentage (rounded) of payday loans going to borrowers with high numbers of loans, from state regulator data**

| | Loans to borrowers with 5 or more transactions per year | Loans to borrowers with 12 or more transactions per year |
|---|---|---|
| CRL 2003 findings | 91% | 62% |
| Washington State[21] | 90% | 58% |
| Florida[22] (one-loan at a time limit) | 89% | 57% |
| Oklahoma[23] | 91% | 66% |
| Colorado[24] | Not Available | 65% |
| 2005 Average | 90% | 62% |

Washington State provides a detailed breakdown of the number of loans to borrowers in a year. Similar to the finding of our 2003 study, in the state of Washington, 90 percent of loans go to borrowers with five or more transactions per year. (See Appendix 1 for detailed data from Washington State and our calculations.)

Oklahoma limits borrowers to two payday loans outstanding at any one time,[25] and in spite of that attempt to control repeat borrowing, 91 percent of Oklahoma's payday loans also go to borrowers with five or more transactions per year—again, the same as our 2003 study figures.

Florida limits borrowers to a single loan outstanding at any one time from any lender. In this state, 89 percent of loans go to borrowers with five or more transactions per year and 57 percent go to borrowers with 12 or more loans per year. The single loan outstanding rule may be why the rate of repeat borrowing is slightly lower in Florida than in other states, but the difference is not significant.

We also found that the number of loans going to borrowers with 12 or more transactions per year, based on the four states that report those figures, comes to an average 61.5 percent (rounded up to 62% in Table 1). This is what we found in our 2003 study—that 61.5 percent of payday loans went to borrowers who had 12 or more loans per year.[26]

## Regulator data and payday lenders' public filings confirm that most borrowers renew payday loans many times per year

The average number of loans reported by various sources confirms that payday borrowers are not using this product as an occasional emergency loan, but rather are trapped in the loan and routinely pay more in fees than they originally borrowed. Based on these averages, the typical borrower has nine loan transactions per year from a single payday loan store. (See Table 2.)

**Table 2. Average number of payday loans per borrower from state regulator data**

| | Average Annual Loans per Borrower* |
|---|---|
| California[27] | 6 |
| Colorado | 9 |
| Florida | 8 |
| Iowa[28] | 12 |
| Oklahoma | 9 |
| Oregon | 9 |
| Virginia[29] | 8 |
| Washington | 8 |
| Average | 9 |

*Florida and Oklahoma data account for multi-shop use.

***The average number of loans reported by various sources also confirms that payday borrowers are not using this product as an occasional emergency loan, but rather are trapped in the loan and routinely pay more in fees than they originally borrowed.***

Advance America and QC Holdings, two of the nation's largest payday lenders, offered their stock for sale to the public in 2004, and are now required to file reports with the Securities and Exchange Commission.[30] Both companies reported an average loan transaction per borrower that reveals typical long-term use of their products. Advance America reported an average of eight loans per customer per year for 2005, and QC Holdings reported an average of seven per year. CompuCredit, another major payday lender, responded to a questionnaire conducted by the University of Massachusetts Isenberg School of Management by indicating that their average payday customer uses the product seven times a year.[31]

These company figures represent the average number of loans their borrowers take from a single company. Many borrowers go to more than one payday lender. Even without accounting for this multi-shop use, with these averages it is clear that payday borrowers are routinely caught in long-term debt, making many high interest-only payments on one small loan.

Taking the interest on the average payday loan principal as reported by state regulators, and multiplying it by the average number of loan flips per year, we find that the typical borrower ends up paying back $793 for a $325 loan. (See Table 3.)

Table 3. Average principal and interest paid back on payday loan

| | |
|---|---|
| Average principal (from state regulator data): | $325 |
| Typical fee for $325 loan: | $52 |
| Average transactions per year: | 9 |
| Total interest for original loan + 8 flips | $468 |
| Total principal plus interest paid: | $793 |

***"At a 300% APR, the interest on a payday advance would exceed the principal after about 4 months. In these circumstances, the loan starts to look counterproductive: rather than bridging a gap in income, the payday advance may contribute to real financial distress."***

***Morgan Stanley***

## Academics and industry analysts recognize the problem of loan flipping

Academics and industry observers have reached consensus on the debt trap in recent years, consistently recognizing payday lending as a practice of proffering high-cost long-term debt rather than short-term cash advances.[32]

A stock analyst at Morgan Stanley acknowledged the dependence of the payday lending industry on trapped borrowers:

*"The Georgetown study reveals the long-term nature of much payday lending... At a 300% APR, the interest on a payday advance would exceed the principal after about 4 months. In these circumstances, the loan starts to look counterproductive: rather than bridging a gap in income, the payday advance may contribute to real financial distress...Advance America's disclosures show that repeat borrowing is important."*[33]

Since CRL's 2003 report, two additional studies have made significant contributions in documenting that loan flipping is critical to the industry.

Ernst & Young published a report based on data from nineteen Canadian payday lending companies with 474 stores totaling $830 million in loan transactions. They found that first-time loans are twice as costly for the lenders as the cost of all loans averaged together, because of the extra time and effort required to process new customers. Ernst & Young reached this conclusion: "The survival of payday loan operators depends on establishing and maintaining a substantial repeat customer base."[34]

Another important piece of research on the subject was published last year. The FDIC's Center for Financial Research undertook a study of the industry based on payday lenders' proprietary data.[35] In the course of evaluating payday loan prices, the researchers found that the profitability of payday lending is driven by volume, which is in turn driven by rollovers.[36] The FDIC report acknowledges this dependence repeatedly: "We find that high-frequency borrowers account for a disproportionate share of a payday store's loans and profits."[37]

## Payday lenders appear to compete by locking in customers

Researchers also point out features of the payday lending business that suggest the strong tendency to compete for trapped borrowers rather than to seek high numbers of occasional customers. Rather than lowering prices across the board—the fees they charge—to win higher numbers of borrowers, the payday lenders compete by sometimes lowering the price on the first loan alone, thereby luring the borrower into long-term debt, according to an analysis of the Colorado payday lending law.[38]

Other than occasional promotional cheaper first loans, payday lenders typically charge fees as high as legally permissible. As the FDIC report says, "consistent with Stegman and Faris (2003), we find that payday advance stores tend to charge an effective APR near the applicable statutory limit."[39] The Colorado report also found that 93 percent of all loans are priced at the maximum permissible amount.[40]

Indeed, the fees charged by major payday lenders have remained steady, even as markets have become saturated with payday lenders.[41] The public SEC filings of Advance America reveal that their fee remained flat at 16 percent of the loan amount even in saturated states.[42] For QC Holdings, the fee remained flat at 15 percent from 2003 to 2005.[43]

Most businesses legitimately attempt to foster customer loyalty, but the payday business is different. Customers are not borrowing repeatedly out of loyalty; instead, they are forced to stay with one lender because they cannot afford to pay off the loan. The lender is not providing any additional value to the customer with additional transactions; the lender is simply receiving additional fees to keep the same amount of principal outstanding.

## Finding #2: Predatory payday lending now costs American families $4.2 billion per year in excessive fees.

In defining predatory payday lending, we consider borrowers who have had five loans per year or more to be caught in a cycle of debt. A borrower facing financial trouble will rarely be able to resolve their problem in two weeks and pay off their loan in full. Most borrowers need several months, perhaps a year, to make up a serious financial shortfall.

If we assume borrowers need a minimum of 90 days to straighten out their finances and pay back an emergency loan, then that borrower should receive no more than four legitimate emergency loans per year, one every 90 days. For purposes of analysis, we therefore assume that the fees paid on the first four loans that a borrower receives in a year are legitimate and not abusive.

To quantify the cost of predatory payday lending in our 2003 report, we first multiplied the loan volume of the industry, which was estimated by industry analysts at $25 billion, by the typical fee, which was 15 percent, to determine total fees paid. We then multiplied the total fees times the percentage of predatory loans, which was 91 percent, to get an annual cost of predatory payday lending of $3.4 billion.[44]

To update our quantification of the cost of predatory payday lending, we apply a similar methodology while using more precise information now available from many state regulators to provide a basis for estimating costs in each state.

**Using our conservative methodology, we estimate that predatory payday lending now costs American families $4.2 billion per year.**

(See Table 4 for a breakdown of the costs for each state. See Appendix 2 for a breakdown of the number of payday loan stores, total state loan volume, interest, total payday loan fees, percentage of predatory loans, and total predatory costs for each state.)

**Table 4. 2005 Cost of Predatory Payday Lending by State**

| State | 2005 Cost of Predatory Payday Lending | State | 2005 Cost of Predatory Payday Lending |
|---|---|---|---|
| Alabama | $225 million | Nebraska | $20 million |
| Alaska | $4 million | Nevada | $108 million |
| Arizona | $139 million | New Hampshire | $5 million |
| Arkansas | $25 million | New Mexico | $27 million |
| California | $365 million | North Carolina* | $74 million |
| Colorado | $76 million | North Dakota | $6 million |
| DC | $3 million | Ohio | $209 million |
| Delaware | $23 million | Oklahoma | $38 million |
| Florida | $156 million | Oregon | $51 million |
| Hawaii | $3 million | Pennsylvania* | $29 million |
| Idaho | $26 million | Rhode Island | $3 million |
| Illinois | $219 million | South Carolina | $186 million |
| Indiana | $51 million | South Dakota | $87 million |
| Iowa | $40 million | Tennessee | $133 million |
| Kansas | $30 million | Texas | $259 million |
| Kentucky | $131 million | Utah | $69 million |
| Louisiana | $311 million | Virginia | $160 million |
| Michigan | $120 million | Washington | $155 million |
| Minnesota | $4 million | Wisconsin | $124 million |
| Mississippi | $135 million | Wyoming | $10 million |
| Missouri | $317 million | | |
| Montana | $8 million | Total | $4.2 billion |

*Rent-a-bank payday lending stores in North Carolina and Pennsylvania have closed, so these two states are expected to eliminate the costs of predatory payday lending for their citizens in 2006. The savings projected for North Carolina and Pennsylvania (see Table 5) are significantly higher than the cost figures included in this table. Cost figures are based on the actual number of payday shops in each state. North Carolina and Pennsylvania have had a small number of payday shops relative to population since payday lending is not authorized in these states. Savings figures are based on the number of shops one would expect in an authorizing state with a mature payday market.

## Our findings are conservative and underestimate the cost of predatory payday lending

In quantifying the cost of predatory payday lending, we used conservative assumptions at each step in the process, in order to provide a reliable lower-end estimate. In doing so, we recognize that we underestimate the cost of predatory payday lending to American families.

We could have chosen to count all payday fees, not just those for loans going to borrowers who had five or more loans per year. Payday loans carry triple-digit interest rates, demand full payment in a short period of time, and use the high-pressure collection tactic of allowing the lender to hold the borrower's signed, personal check. With just four loans per year, a borrower typically pays $200 in interest for a $300 revolving loan.[45] Most consumer advocates consider all payday loans inherently predatory because of these terms.

In addition, we assume that borrowers take only one additional loan from each additional shop they use, and that borrowers go to a maximum of only four shops. (In reality, many borrowers take more than one loan from each additional shop—some borrowers go to more than four shops.)

Finally, our estimates of the number of stores in each state include rent-a-bank and licensed stores, but do not include subterfuge shops or Internet lending. Subterfuge shops illegally make payday loans by disguising them as other products.[46]

We assumed 177 stores were located in Arkansas. A recent report estimates, though, that there were a total of 275 stores, including rent-a-bank, licensees and subterfuge payday shops. If we had assumed 275 stores in Arkansas instead of 177 in our calculations, the cost of predatory payday lending to Arkansas families would increase to $38 million from $25 million.[47]

## Finding #3: States that ban payday lending save their citizens an estimated $1.4 billion in predatory payday lending fees every year.

Despite the spread of payday lending nationwide, a number of states have no known costs associated with the practice. These are states where bans on payday lending were enforced in 2005 with the end of rent-a-bank lending. These states frequently withstood enormous lobbying pressure from the industry to maintain their consumer protections and usury limits.

North Carolina will join those "safe" states for 2006, having recently taken action to eliminate payday lending within its borders, as will Pennsylvania, which had primarily rent-a-bank payday lenders operating within its state until last year. Including these two states, we project the 2006 savings for states that ban payday lending at $1.4 billion, quite a significant level considering that these total savings are realized by fewer than a dozen states. (See Table 5 for the projected 2006 savings in payday lending "safe" states. See Appendix 3 for the calculations.)

Table 5: Projected Savings for 2006 in States That Have Enforced Bans Against Payday Lending

| State | 2006 Savings |
|---|---|
| Connecticut | $64 million |
| Georgia | $147 million |
| Maine | $25 million |
| Maryland | $97 million |
| Massachusetts | $119 million |
| New Jersey | $150 million |
| New York | $345 million |
| North Carolina* | $153 million |
| Pennsylvania | $234 million |
| Vermont | $12 million |
| West Virginia | $36 million |
| Total | $1.4 billion |

***The 2006 savings for states that ban payday lending is $1.4 billion, quite a significant level considering that these total savings are realized by fewer than a dozen states.***

*The actual 2006 North Carolina savings might be slightly less since three payday chains continued making loans through late February and early March, prior to the effective date of their consent agreements with the North Carolina Attorney General. The figure in Table 5 conservatively projects the savings for all future years.

Arkansas presents a unique case in our analysis of the costs of payday lending. Arkansas has an interest rate cap in its Constitution of 17 percent that applies to small loans; in effect this makes Arkansas a state that bans payday lending. Arkansas had about 80 stores operating under the rent-a-bank model until recent FDIC action either shut them down or forced those lenders to find alternative means to make payday loans in Arkansas. Additionally, the state currently has about 177 payday lending stores that operate as Arkansas licensees. These licenses were issued under a payday lending authorization law that is in clear conflict with the Constitutional usury cap. As of the publication of this paper, these stores had not been shut down.[48]

In keeping with our conservative analysis, we have omitted Arkansas from the projected savings table for 2006.

## IV. CONCLUSION

Solving the payday lending problem has been a huge challenge for most states. The industry has successfully lobbied legislatures across the country to exempt payday lending from state consumer loan laws. In addition to legalizing the practice of holding a live check as collateral, these exemptions typically authorize interest rates at ten times the interest rate cap provided for in the state's consumer loan laws.

But there are signs that the tide is turning. The wave of payday authorization has clearly slowed, with states increasingly wary of this loan product. Several states have either refused to exempt payday lending from their laws or have closed existing loopholes.

Since the FDIC recognized the abusive nature of payday lending and tightened the reins on the banks they insure, the practice of national payday companies partnering with out-of-state banks has all but disappeared. This places the responsibility for preventing predatory payday lending squarely in the hands of state legislators in the states where it is currently legal.

Some states have tried to reform payday lending by requiring databases, cooling-off periods, repayment plans or limits to the number of outstanding loans. The payday lending industry generally endorses these reforms, though we have found in the analysis provided in this paper that they have little impact on the debt trap payday lenders depend on for their revenues. Additional data is available from the states that have tried these reforms, which will provide the basis for a forthcoming CRL state-level analysis.

To solve the problem of high-cost payday lending effectively, state policymakers are increasingly applying their consumer loan laws to all lenders, including Internet lenders.

Most states have an existing interest rate cap in their consumer loan laws in the double digits; about a dozen are set at 36 percent. To prevent predatory payday lending, some states have refused to authorize special exemptions from these limits for payday lenders, whose business model requires them to charge triple-digit interest and repeatedly flip the loans.

Congress recently adopted, and the President signed into law, a 36-percent annual rate cap for consumer loans made to military families, protecting them from predatory payday loans as well as many other high cost loan products. The legislation outlawed taking a security interest in a live check, therefore prohibiting payday lending. The Pentagon reported that payday lenders are targeting their troops, and that servicemen and women are frequently losing security clearance because of their resulting debt problems.[49]

Policymakers interested in preventing predatory payday loan flipping in their states should consider capping annual interest rates on small consumer loans at an all-inclusive 36 percent. This change would continue to allow responsible credit to flow, while saving Americans the billions of dollars now lost to predatory payday lenders.

## APPENDIX 1: ANALYSIS OF WASHINGTON STATE DATA[50]

| Annual Loan Frequency | Single Shop # of Borrowers | Single-Shop Loans (X) | Loans to Borrowers Using One Lender (53%) A | Loans to Borrowers Using Two Lenders (30%) B | Loans to Borrowers Using Three Lenders (11%) C | Loans to Borrowers Using Four Lenders (6%) D | Multiple Shop Projected Loans (Y) | Multiple Shop Cumulative Loans | Multiple Shop Cumulative Share of Loans | Multiple Shop Projected Number of Borrowers | Multiple Shop Cumulative Borrowers | Multiple Shop Cumulative Share of Borrowers |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 53,730 | 53,730 | 28,477 | | | | 28,477 | 28,477 | 1.3% | 28,477 | 28,477 | 11.1% |
| 2 | 33,102 | 66,204 | 35,088 | 16,119 | | | 51,207 | 79,684 | 3.7% | 25,604 | 54,080 | 21.1% |
| 3 | 25,094 | 75,282 | 39,899 | 19,861 | 5,910 | | 65,671 | 145,355 | 6.7% | 21,890 | 75,971 | 29.7% |
| 4 | 21,023 | 84,092 | 44,569 | 22,585 | 7,282 | 3,224 | 77,660 | 223,015 | 10.3% | 19,415 | 95,386 | 37.2% |
| 5 | 18,281 | 91,405 | 48,445 | 25,228 | 8,281 | 3,972 | 85,926 | 308,940 | 14.3% | 17,185 | 112,571 | 44.0% |
| 6 | 15,933 | 95,598 | 50,667 | 27,422 | 9,250 | 4,517 | 91,855 | 400,796 | 18.5% | 15,309 | 127,880 | 49.9% |
| 7 | 14,165 | 99,155 | 52,552 | 28,679 | 10,055 | 5,046 | 96,332 | 497,127 | 23.0% | 13,762 | 141,642 | 55.3% |
| 8 | 12,706 | 101,648 | 53,873 | 29,747 | 10,516 | 5,484 | 99,620 | 596,747 | 27.6% | 12,453 | 154,094 | 60.2% |
| 9 | 11,549 | 103,941 | 55,089 | 30,494 | 10,907 | 5,736 | 102,226 | 698,973 | 32.3% | 11,358 | 165,453 | 64.6% |
| 10 | 10,463 | 104,630 | 55,454 | 31,182 | 11,181 | 5,949 | 103,767 | 802,740 | 37.1% | 10,377 | 175,829 | 68.7% |
| 11 | 9,886 | 108,746 | 57,635 | 31,389 | 11,434 | 6,099 | 106,557 | 909,297 | 42.0% | 9,687 | 185,516 | 72.4% |
| 12 | 11,713 | 140,556 | 74,495 | 32,624 | 11,509 | 6,236 | 124,864 | 1,034,161 | 47.8% | 10,405 | 195,922 | 76.5% |
| 13 | 7,585 | 98,605 | 52,261 | 42,167 | 11,962 | 6,278 | 112,667 | 1,146,828 | 53.0% | 8,667 | 204,588 | 79.9% |
| 14 | 6,065 | 84,910 | 45,002 | 29,582 | 15,461 | 6,525 | 96,570 | 1,243,398 | 57.5% | 6,898 | 211,486 | 82.6% |
| 15 | 5,479 | 82,185 | 43,558 | 25,473 | 10,847 | 8,433 | 88,311 | 1,331,709 | 61.5% | 5,887 | 217,374 | 84.9% |
| 16 | 4,444 | 71,104 | 37,685 | 24,656 | 9,340 | 5,916 | 77,597 | 1,409,306 | 65.1% | 4,850 | 222,223 | 86.8% |
| 17 | 4,349 | 73,933 | 39,184 | 21,331 | 9,040 | 5,095 | 74,651 | 1,483,957 | 68.6% | 4,391 | 226,615 | 88.5% |
| 18 | 3,921 | 70,578 | 37,406 | 22,180 | 7,821 | 4,931 | 72,339 | 1,556,295 | 71.9% | 4,019 | 230,633 | 90.1% |
| 19 | 3,421 | 64,999 | 34,449 | 21,173 | 8,133 | 4,266 | 68,022 | 1,624,317 | 75.1% | 3,580 | 234,214 | 91.5% |
| 20 | 3,124 | 62,480 | 33,114 | 19,500 | 7,764 | 4,436 | 64,814 | 1,689,131 | 78.1% | 3,241 | 237,454 | 92.7% |
| 21 | 2,816 | 59,136 | 31,342 | 18,744 | 7,150 | 4,235 | 61,471 | 1,750,602 | 80.9% | 2,927 | 240,381 | 93.9% |
| 22 | 2,477 | 54,494 | 28,882 | 17,741 | 6,873 | 3,900 | 57,395 | 1,807,997 | 83.6% | 2,609 | 242,990 | 94.9% |
| 23 | 2,244 | 51,612 | 27,354 | 16,348 | 6,505 | 3,749 | 53,956 | 1,861,953 | 86.1% | 2,346 | 245,336 | 95.8% |
| 24 | 2,431 | 58,344 | 30,922 | 15,484 | 5,994 | 3,548 | 55,948 | 1,917,902 | 88.6% | 2,331 | 247,667 | 96.7% |
| 25 | 1,723 | 43,075 | 22,830 | 17,503 | 5,677 | 3,270 | 49,280 | 1,967,182 | 90.9% | 1,971 | 249,639 | 97.5% |
| 26 | 2,036 | 52,936 | 28,056 | 12,923 | 6,418 | 3,097 | 50,493 | 2,017,675 | 93.3% | 1,942 | 251,581 | 98.2% |
| 27 | 764 | 20,628 | 10,933 | 15,881 | 4,738 | 3,501 | 35,053 | 2,052,727 | 94.9% | 1,298 | 252,879 | 98.7% |
| 28 | 378 | 10,584 | 5,610 | 6,188 | 5,823 | 2,585 | 20,205 | 2,072,933 | 95.8% | 722 | 253,600 | 99.0% |
| 29 | 312 | 9,048 | 4,795 | 3,175 | 2,269 | 3,176 | 13,416 | 2,086,348 | 96.4% | 463 | 254,063 | 99.2% |
| 30 | 232 | 6,960 | 3,689 | 2,714 | 1,164 | 1,238 | 8,805 | 2,095,154 | 96.8% | 294 | 254,357 | 99.3% |
| 31 | 219 | 6,789 | 3,598 | 2,088 | 995 | 635 | 7,316 | 2,102,470 | 97.2% | 236 | 254,593 | 99.4% |
| 32 | 149 | 4,768 | 2,527 | 2,037 | 766 | 543 | 5,872 | 2,108,342 | 97.4% | 184 | 254,776 | 99.5% |
| 33 | 167 | 5,511 | 2,921 | 1,430 | 747 | 418 | 5,516 | 2,113,858 | 97.7% | 167 | 254,943 | 99.6% |
| 34 | 150 | 5,100 | 2,703 | 1,653 | 524 | 407 | 5,288 | 2,119,146 | 97.9% | 156 | 255,099 | 99.6% |
| 35 | 123 | 4,305 | 2,282 | 1,530 | 606 | 286 | 4,704 | 2,123,850 | 98.2% | 134 | 255,233 | 99.7% |
| 36 | 94 | 3,384 | 1,794 | 1,292 | 561 | 331 | 3,977 | 2,127,827 | 98.3% | 110 | 255,344 | 99.7% |
| 37 | 82 | 3,034 | 1,608 | 1,015 | 474 | 306 | 3,403 | 2,131,229 | 98.5% | 92 | 255,436 | 99.7% |
| 38 | 70 | 2,660 | 1,410 | 910 | 372 | 258 | 2,951 | 2,134,180 | 98.6% | 78 | 255,513 | 99.8% |
| 39 | 50 | 1,950 | 1,034 | 798 | 334 | 203 | 2,368 | 2,136,548 | 98.7% | 61 | 255,574 | 99.8% |
| 40 | 51 | 2,040 | 1,081 | 585 | 293 | 182 | 2,141 | 2,138,689 | 98.8% | 54 | 255,628 | 99.8% |
| 41 | 45 | 1,845 | 978 | 612 | 215 | 160 | 1,964 | 2,140,653 | 98.9% | 48 | 255,675 | 99.8% |
| 42 | 38 | 1,596 | 846 | 554 | 224 | 117 | 1,741 | 2,142,394 | 99.0% | 41 | 255,717 | 99.9% |
| 43 | 45 | 1,935 | 1,026 | 479 | 203 | 122 | 1,830 | 2,144,224 | 99.1% | 43 | 255,759 | 99.9% |
| 44 | 38 | 1,672 | 886 | 581 | 176 | 111 | 1,753 | 2,145,976 | 99.2% | 40 | 255,799 | 99.9% |
| 45 | 45 | 2,025 | 1,073 | 502 | 213 | 96 | 1,883 | 2,147,860 | 99.3% | 42 | 255,841 | 99.9% |
| 46 | 38 | 1,748 | 926 | 608 | 184 | 116 | 1,834 | 2,149,694 | 99.4% | 40 | 255,881 | 99.9% |
| 47 | 22 | 1,034 | 548 | 524 | 223 | 100 | 1,395 | 2,151,089 | 99.4% | 30 | 255,911 | 99.9% |
| 48 | 24 | 1,152 | 611 | 310 | 192 | 122 | 1,235 | 2,152,324 | 99.5% | 26 | 255,936 | 99.9% |
| 49 | 28 | 1,372 | 727 | 346 | 114 | 105 | 1,291 | 2,153,615 | 99.5% | 26 | 255,963 | 100.0% |
| 50 | 21 | 1,050 | 557 | 412 | 127 | 62 | 1,157 | 2,154,772 | 99.6% | 23 | 255,986 | 100.0% |
| 51 | 159 | 8,109 | 4,298 | 315 | 151 | 69 | 4,833 | 2,159,605 | 99.8% | 95 | 256,081 | 100.0% |
| | -- | | -- | 2,433 | 116 | 82 | 2,631 | 2,162,235 | 99.9% | | | |
| | -- | -- | -- | | 892 | 63 | 955 | 2,163,190 | 100.0% | | | |
| | | | | | | 487 | 487 | 2,163,677 | 100.0% | | | |
| Total | 293,104 | 2,163,677 | 1,146,749 | 649,103 | 256,081 | 129,821 | 2,163,677 | | | 256,081 | | |

| | Single Shop | Multi Shop |
|---|---|---|
| #of loans | 2,163,677 | 2,163,677 |
| #of borrowers | 293,104 | 256,081 |
| Avg loan per borrower | 7.381942928 | 8.449201228 |

| | |
|---|---|
| % of loans made to borrowers who receive five or more loans per year | 89.7% |
| % of loans made to borrowers who receive 12 or more loans per year | 58% |
| % of borrowers who receive 5 or more loans per year | 62.8% |

Since Washington State data does not take into account the fact that payday borrowers frequently go to more than one payday loan shop, we applied the same methodology we used in the 2003 CRL paper to convert single-shop data into multi-shop data.

A 2001 industry-funded study by the Credit Research Center breaks down the percentage of borrowers who use multiple shops.[51] See table below.

| Number of stores used | Payday lender customers (%) |
|---|---|
| 1 | 53 |
| 2 | 30 |
| 3 | 11 |
| 4 or more | 6 |
| | 100 |

We assume that borrowers take one additional loan from each additional shop they use. Also, we assume that they go to a maximum of only four shops. (In reality, most borrowers take more than one loan from each additional shop and some borrowers go to more than four shops—we have seen borrowers going to 10 shops at a time.)

The table starts with the number of loans attributed to borrowers reported as having received one loan from a single shop (53,730) and then projects multi-shop use as follows:

- 53% of the 53,730 loans attributed to borrowers with one loan need no adjustment = 28,477

- 30% of the 53,730 loans attributed to borrowers with one loan actually went to borrowers who received at least one additional loan (total of two loans) = 16,119

- 11% of the 53,730 loans attributed to borrowers with one loan actually went to borrowers who received at least two additional loans (total of three loans) = 5,910

- 6% of the 53,730 loans attributed to borrowers with one loan actually went to borrowers who received at least three additional loans (total of four loans) = 3,224

It is also helpful to understand this calculation by examining a single row in the column. Turning to row 5 of the table, we can now understand that only 53% of those loans reported as made to borrowers with 5 loans actually reflect the experience of those borrowers (53% * 91,405 = 48,445). However, borrowers in rows two through four of the table also used additional lenders and therefore account for many of the loans we project as made to borrowers with five loans (Column Y = A + B + C + D). We use the survey data to perform the following calculations to project the actual number of borrowers who received five loans accounting for multiple shop use:

- 53% of 91,405 loans attributed to borrowers with five loans from one lender = 48,445.

- 30% of 84,092 loans attributed to borrowers with four loans from one lender (but actually received at least one more from a second lender for a total of five) = 25,228.

- 11% of 75,282 loans attributed to borrowers with three loans from one lender (but actually received at least one more from two additional lenders for a total of five) = 8,281.

- 6% of 66,204 loans attributed to borrowers with two loans from one lender (but actually received at least one more from three additional lenders for a total of five) = 3,972.

- Total of all such borrowers = 85,926 loans to borrowers with five loans total from all lenders.

These calculations do not change the total number of payday loans. The total unadjusted is the same as the total adjusted for multiple shop use – 2,163,677 payday loans to all borrowers. It simply shuffles some of the borrowers to higher loan number categories based on the reported use of multiple shops.

To review, we calculate the number of loans reported to "single shops" (X) by multiplying the number of borrowers (F) from Washington state data by the corresponding number of loans (Q) in equation one. Subsequently, we use this figure as a base for estimating loans resulting from borrowers' use of multiple shops in equation two. Equation two embodies the assumption that borrowers take only one additional loan from each additional lender they reported using.

EQUATION 1: $X_i = F_i * Q_i$

EQUATION 2: $Y_i = 0.53X_i + 0.30X(i\text{-}1) + 0.11X(i\text{-}2) + 0.06X(i\text{-}3)$

## *APPENDIX 2: PAYDAY COSTS FOR 2005 FOR STATES WITH PAYDAY LENDING*

| | Payday Stores | Source | Average Loan Amount | Payday Loan Volume Per State | Source | Average Fee* | Source | APR | Total Loan Fees Paid Per State | Multiplier | Predatory Payday Costs Per State |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Alabama | 1201 | (Ferris Baker Watts) | 325 | 1,427,562,919 | (CRL estimate) | 17.50% | (state limit) | 456% | 249,823,511 | 90% | 224,841,160 |
| Alaska | 21 | (regulator data) | 364 | 21,225,918 | (regulator data) | 19.23% | (regulator data) | 501% | 4,081,907 | 90% | 3,673,717 |
| Arizona | 738 | (Ferris Baker Watts) | 325 | 877,220,178 | (CRL estimate) | 17.65% | (state limit) | 460% | 154,829,361 | 90% | 139,346,425 |
| Arkansas** | 177 | (Ferris Baker Watts) | 325 | 210,390,205 | (CRL estimate) | 10%+$10 | (state limit) | 340% | 27,512,665 | 90% | 24,761,398 |
| California | 2445 | (regulator data) | 253 | 2,479,725,858 | (regulator data) | 16.34% | (regulator data) | 426% | 405,180,411 | 90% | 364,662,370 |
| Colorado | 565 | (regulator data) | 336 | 494,259,999 | (regulator data) | 16.99% | (regulator data) | 443% | 83,974,284 | 90% | 75,576,855 |
| DC | 21 | (Ferris Baker Watts) | 325 | 24,961,550 | (CRL estimate) | 10%+$10 | (state limit) | 340% | 3,264,214 | 90% | 2,937,793 |
| Delaware | 136 | (Ferris Baker Watts) | 325 | 161,655,751 | (CRL estimate) | 16.00% | (assumed) | 417% | 25,864,920 | 90% | 23,278,428 |
| Florida | 1200 | (regulator data) | 373 | 1,630,000,000 | (regulator data) | 10.77% | (regulator data) | 281% | 175,547,872 | 89% | 156,237,606 |
| Hawaii | 17 | (Ferris Baker Watts) | 325 | 20,206,969 | (CRL estimate) | 17.65% | (state limit) | 460% | 3,566,530 | 90% | 3,209,877 |
| Idaho | 222 | (regulator data) | 343 | 169,784,184 | (regulator data) | 17.00% | (QC Holdings) | 443% | 28,863,311 | 90% | 25,976,980 |
| Illinois | 1357 | (Ferris Baker Watts) | 325 | 1,612,991,574 | (CRL estimate) | 15.10% | (regulator data) | 394% | 243,561,728 | 90% | 219,205,555 |
| Indiana | 585 | (regulator data) | 246 | 395,737,752 | (regulator data) | 14.35% | (regulator data) | 373% | 56,770,537 | 90% | 51,093,483 |
| Iowa | 237 | (regulator data) | 296 | 297,108,275 | (regulator data) | 14.66% | (regulator data) | 382% | 44,055,039 | 90% | 39,649,535 |
| Kansas | 358 | (regulator data) | 262 | 225,296,159 | (regulator data) | 15.00% | (state limit) | 391% | 33,794,424 | 90% | 30,414,981 |
| Kentucky | 695 | (regulator data) | 325 | 826,108,433 | (CRL estimate) | 17.65% | (state limit) | 460% | 145,808,138 | 90% | 131,227,325 |
| Louisiana | 1351 | (Ferris Baker Watts) | 325 | 1,605,859,703 | (CRL estimate) | $5 + Greater of 20% or $45 | (state limit) | 560% | 345,877,855 | 90% | 311,290,069 |
| Michigan** | 741 | (Ferris Baker Watts) | 325 | 832,051,659 | (CRL estimate) | 16.00% | (assumed) | 417% | 133,128,266 | 90% | 119,815,439 |
| Minnesota | 55 | (regulator data) | 325 | 65,375,488 | (CRL estimate) | 6%+$5 for loans $250-$350 | (state limit) | 196% | 4,928,321 | 90% | 4,435,489 |
| Mississippi | 572 | (Ferris Baker Watts) | 325 | 679,905,070 | (CRL estimate) | 22.00% | (state limit) | 574% | 149,579,115 | 90% | 134,621,204 |
| Missouri | 1644 | (Ferris Baker Watts) | 325 | 1,954,132,755 | (CRL estimate) | 18.00% | (QC Holdings) | 469% | 351,743,896 | 90% | 316,569,506 |
| Montana | 121 | (regulator data) | 232 | 46,222,193 | (regulator data) | 20.00% | (QC Holdings) | 521% | 9,244,439 | 90% | 8,319,995 |
| Nebraska | 106 | (regulator data) | 325 | 125,996,394 | (CRL estimate) | 17.65% | (state limit) | 460% | 22,238,364 | 90% | 20,014,527 |
| Nevada | 507 | (Ferris Baker Watts) | 325 | 602,643,130 | (CRL estimate) | 20.00% | (QC Holdings) | 521% | 120,528,626 | 90% | 108,475,763 |
| New Hampshire | 51 | (Ferris Baker Watts) | 366 | 38,063,060 | (regulator data) | 16.00% | (assumed) | 417% | 6,090,090 | 90% | 5,481,081 |
| New Mexico | 285 | (regulator data) | 309 | 139,582,952 | (regulator data) | 21.63% | (regulator data) | 564% | 30,187,242 | 90% | 27,168,518 |
| North Carolina** | 385 | (CRL estimate) | 325 | 457,628,413 | (CRL estimate) | 18.00% | (QC Holdings) | 469% | 82,373,114 | 90% | 74,135,803 |
| North Dakota | 72 | (regulator data) | 261 | 34,006,663 | (regulator data) | 19.26% | (regulator data) | 502% | 6,550,966 | 90% | 5,895,869 |
| Ohio | 1375 | (Ferris Baker Watts) | 325 | 1,634,387,188 | (CRL estimate) | 5% +$5/$50 | (state limit) | 370% | 232,588,190 | 90% | 209,329,371 |
| Oklahoma | 417 | (regulator data) | 333 | 300,700,000 | (regulator data) | 13.75% | (regulator data) | 358% | 41,340,719 | 91% | 37,620,054 |
| Oregon | 360 | (regulator data) | 317 | 278,033,023 | (regulator data) | 20.26% | (regulator data) | 528% | 56,325,529 | 90% | 50,692,976 |
| Pennsylvania** | 168 | (Ferris Baker Watts) | 325 | 199,692,398 | (CRL estimate) | 16.00% | (assumed) | 417% | 31,950,784 | 90% | 28,755,705 |
| Rhode Island | 17 | (Ferris Baker Watts) | 325 | 20,206,969 | (CRL estimate) | 15.00% | (state limit) | 391% | 3,031,045 | 90% | 2,727,941 |
| South Carolina | 1066 | (regulator data) | 285 | 1,170,000,000 | (regulator data) | 17.65% | (state limit) | 460% | 206,505,000 | 90% | 185,854,500 |
| South Dakota | 302 | Ferris Baker Watts) | 338 | 607,509,990 | (regulator data) | 16.00% | (assumed) | 417% | 97,201,598 | 90% | 87,481,439 |
| Tennessee | 1345 | (Ferris Baker Watts) | 205 | 1,008,443,839 | (CRL estimate) | $30 or 17.65%, whichever is less | (state limit) | 380% | 147,577,147 | 90% | 132,819,432 |
| Texas** | 1513 | (Ferris Baker Watts) | 325 | 1,798,420,230 | (CRL estimate) | 16.00% | (assumed) | 417% | 287,747,237 | 90% | 258,972,513 |
| Utah | 381 | (Ferris Baker Watts) | 325 | 452,873,832 | (CRL estimate) | 17.00% | (QC Holdings) | 443% | 76,988,551 | 90% | 69,289,696 |
| Virginia | 756 | (regulator data) | 355 | 1,197,105,829 | (regulator data) | 14.81% | (regulator data) | 386% | 177,291,373 | 90% | 159,562,236 |
| Washington | 716 | (regulator data) | 385 | 1,382,132,283 | (regulator data) | 12.47% | (regulator data) | 325% | 172,317,791 | 90% | 155,086,012 |
| Wisconsin | 445 | (regulator data) | 363 | 625,261,493 | (regulator data) | 22.00% | (QC Holdings) | 574% | 137,557,528 | 90% | 123,801,776 |
| Wyoming | 77 | (regulator data) | 325 | 57,687,579 | (regulator data) | $30 or 20%, whichever is greater | (state limit) | 521% | 11,537,516 | 90% | 10,383,764 |
| Grand Total | 24,803 | | | 28,188,157,857 | | | | | 4,628,929,156 | | 4,164,694,169 |

* Average fees and APRs are calculated based on the amount of the cash advanced, not the amount written on the check, which includes the fee. For example, if a borrower writes a check for $100 and pays 15% of the check amount (15/100), they are actually paying 17.65% of the cash advance of $85 (15/85 =17.65/100).

**With the exception of Texas, these states had rent-a-bank payday lending in 2005. Texas authorizes payday lending, but lenders have begun avoiding state limits by using the Credit Services Organization (CSO) model. This CSO model is another means payday lenders use to avoid state lending laws, in this case, by calling themselves a provider of credit services rather than a lender, and claiming that they are not making loans but rather are brokering them for a third party. Arkansas had rent-a-bank shops last year that are now closing, but also has an unclear future with respect to legal payday loan shops, and still has 177 licensed lenders. (See page 12 for more on the situation in Arkansas.) Michigan has now authorized payday lending. Pennsylvania and North Carolina do not authorize payday lending, and so are also listed in the savings table for 2006. Rent-a-bank payday lending stores in North Carolina and Pennsylvania have closed, so these two states are expected to eliminate the costs of predatory payday lending for their citizens in 2006. The savings projected for North Carolina and Pennsylvania (see Table 5 as well as Appendix 3) are significantly higher than the cost figures included in this table. Cost figures are based on the actual number of payday shops in each state under the rent-a-bank arrangement, a small number of shops relative to the population since payday lending is not authorized in these states. Savings figures are based on the number of shops one would expect in an authorizing state with a mature payday market.

## METHODOLOGY AND SOURCES

To quantify the cost of predatory payday lending for each state, we multiplied total payday loan fees per state by 90 percent, which is our estimate of the percentage of payday loans that go to borrowers caught in a cycle of abusive lending, except in Florida and Oklahoma. For Florida we used 89 percent and for Oklahoma we used 91 percent instead. (See page 6.)

### Payday Loan Volume Per State

State regulator data calculating total loan volume was available for 20 of the 42 states (including the District of Columbia) where payday loans were made in 2005. These states include:

Alaska, California, Colorado, Florida, Idaho, Indiana, Iowa, Kansas, Montana, New Hampshire, New Mexico, North Dakota, Oklahoma, Oregon, South Carolina, South Dakota, Virginia, Washington, Wisconsin, Wyoming

For those remaining 22 states where data is not collected or is not publicly available, loan volume was estimated based on the following equation.

Loan Volume = # of Payday Stores * Average Loan Amount * # of Transactions Per Store

### Number of Payday Stores

We used the total number of payday loan storefronts reported by state regulator in states where this data was available for 2005. For the remaining states, with the exception of North Carolina, we used the number of payday stores from investment banker Ferris, Baker, Watts Inc. For North Carolina, we used our dataset from a previous CRL publication, "Race Matters: The Concentration of Payday Lenders in African-American Neighborhoods in North Carolina."[52]

### Average Loan Amount

Regulators in 19 states either directly reported average loan size or had data for which average loan size could be calculated for 2005. In addition, Tennessee's latest available regulator data from 2004 reported an average loan size of $205. Tennessee only allows payday lenders to charge a maximum fee of $30, which causes most loans to be around $200 or less—a far lower rate than other states. Because of this, Tennessee's 2005 average loan size is not likely to be significantly different than the average loan size in 2004.

The median loan amount among these 20 states, $325, is assumed to be the average loan amount in the remaining states where regulator data was not available.

| State | Average Loan Amount |
|---|---|
| Alaska | $364 |
| California | $253 |
| Colorado | $336 |
| Florida | $373 |
| Idaho | $343 |
| Indiana | $246 |
| Iowa | $296 |
| Kansas | $262 |
| Montana | $232 |
| New Hampshire | $366 |
| New Mexico | $309 |
| North Dakota | $261 |
| Oklahoma | $333 |
| Oregon | $317 |
| South Carolina | $285 |
| South Dakota | $338 |
| Tennessee | $205 |
| Virginia | $355 |
| Washington | $385 |
| Wisconsin | $363 |
| Median | $325 |

## Number of Transactions Per Store

Based on data in 18 states where the number of transactions per store can be calculated, we calculated an average number of payday transactions per shop of 3,657 transactions per year. This national estimate of the typical payday store's lending activity was calculated by taking a weighted average of each of the 18 states' data, to normalize for varying numbers of payday stores across states.

| State | # of loans | # of stores | # of loans per store |
|---|---|---|---|
| Alaska | 58,312 | 21 | 2,777 |
| California | 9,785,004 | 2,445 | 4,002 |
| Colorado | 1,472,470 | 565 | 2,606 |
| Florida | 4,300,000 | 1,200 | 3,583 |
| Idaho | 494,736 | 222 | 2,229 |
| Indiana | 1,609,164 | 585 | 2,751 |
| Iowa | 1,002,406 | 237 | 4,230 |
| Kansas | 859,832 | 358 | 2,402 |
| Montana | 199,569 | 121 | 1,649 |
| New Hampshire | 104,000 | 51 | 2,039 |
| North Dakota | 131,736 | 72 | 1,830 |
| Oklahoma | 903,130 | 417 | 2,166 |
| Oregon | 840,748 | 360 | 2,335 |
| South Carolina | 4,100,000 | 1,066 | 3,846 |
| South Dakota | 1,799,941 | 302 | 5,960 |
| Virginia | 3,372,103 | 756 | 4,460 |
| Washington | 3,593,873 | 716 | 5,019 |
| Wisconsin | 1,724,135 | 445 | 3,874 |
| Total | 36,351,159 | 9,939 | |
| Weighted Average | | | 3,657 |

| | | |
|---|---|---|
| Confidence Interval | Lower Bound | 3,639 |
| (95%) | Upper Bound | 3,676 |

It should be noted that the estimate of 3,657 transactions per store is conservative in comparison to the estimates of two industry sources. Figures from a 2006 report by Stephens Inc. can be used to estimate 4,347 loans per store annually, and Advance America, the largest payday lender in America, provides figures in its latest 10-K filing with the SEC that suggest 4,672 transactions per store each year.

However, after analyzing the payday store data available, it is clear that these industry estimates do not fall within our 95% confidence interval (3,639 – 3,676). Therefore, we reject these estimates as acceptable proxies for estimating volume in states without specific data, and instead use our more conservative figure.

### Industry-Wide Estimate from Stephens Inc.:

| | 2005 | Source/Calculation |
|---|---|---|
| # of Transactions | Over 100,000,000 | Stephens Inc March 2006 |
| # of Stores | 23,000 | Stephens Inc March 2006 |
| # of Transactions per Store | 4,347 | # of Transactions/# of stores |

### Advance America Estimate:

| | 2005 | Source/Calculation |
|---|---|---|
| # of Transactions | 11,620,000 | Advance America 10K 2005 |
| # of Stores | 2,487 | Advance America 10K 2005 |
| # of Transactions per Store | 4,672 | # of transactions/# of stores |

### Typical Cost Per Payday Loan

We have used several sources to estimate the typical fee in each state. These sources are:

- Fees charged as reported by state regulators;
- QC Holdings' reported fee percentage for various states, from its SEC filings;
- Each state's rate cap (variable interest and fixed fee);
- For states that do not have rate caps or any other source of information, we used 16 percent, based on Advance America's average, a conservative assumption considering it's very likely that those states without payday rate caps would have higher costs than the national average.

### Total Payday Loan Interest/Fees Paid Per State

a) In most cases the typical fee is a variable interest rate, and there is no fixed fee associated with the loan. In that case, the calculation for Total Payday Loan Interest/Fees Paid Per State is:

Total Payday Loan Interest/Fees Paid Per State = Total State Loan Volume * Interest %

b) In other cases there is a fixed fee in addition to the variable interest. For example, in DC the state rate cap is 10%, with a $10 fee for each transaction. In these cases we use the formula below to calculate Total Payday Loan Interest and Fees Paid Per State:

$$\text{Total State Loan Volume} * \text{Interest \%} + \left[ \frac{\text{Total State Loan Volume}}{\text{Avg. loan amount in the state}} * \text{fixed fee} \right]$$

## Percentage of predatory loans

We define predatory loans as those made to borrowers who had five or more loan transactions per year.

Our analysis of the Washington State data in Appendix 1 shows that 90 percent of payday loans are predatory, almost identical to the percentage we calculated for our 2003 report, which was based on North Carolina data. Washington's data is more recent than the North Carolina data used in CRL's 2003 report and is one of the few states that provide a detailed breakdown of the number of loans per borrower in a year. From this data, we can estimate the percentage of loans that were made to borrowers who had five or more loan transactions per year. We use the Washington State percentage for all states except Florida and Oklahoma. Florida has a slightly lower multiplier possibly due to its limit of one payday loan per borrower at a time, and Oklahoma has a slightly higher number multiplier of 91% based on findings from its state regulator database.

## *APPENDIX 3: PROJECTED SAVINGS FOR 2006 IN STATES THAT HAVE ENFORCED BANS ON PAYDAY LENDING*

| Non-Authorization States | 2000 Population | Households | Projected Payday Stores | Projected Total State Loan Volume | Fee % | Projected Payday Loan Fees | Projected Predatory Payday Costs per State |
|---|---|---|---|---|---|---|---|
| | | | HHs/3500* | (payday stores * 1,188,525) | | (Total State Loan Volume * Fee %) | (Payday Loan Fees * Multiplier) |
| Connecticut | 3,405,565 | 1,301,670 | 372 | 442,019,239 | 16% | 70,723,078 | 63,650,770 |
| Georgia | 8,186,453 | 3,006,369 | 859 | 1,020,898,490 | 16% | 163,343,758 | 147,009,383 |
| Maine | 1,274,923 | 518,200 | 148 | 175,969,616 | 16% | 28,155,139 | 25,339,625 |
| Maryland | 5,296,486 | 1,980,859 | 566 | 672,657,269 | 16% | 107,625,163 | 96,862,647 |
| Massachusetts | 6,349,097 | 2,443,580 | 698 | 829,787,406 | 16% | 132,765,985 | 119,489,386 |
| New Jersey | 8,414,350 | 3,064,645 | 876 | 1,040,687,771 | 16% | 166,510,043 | 149,859,039 |
| New York | 18,976,457 | 7,056,860 | 2,016 | 2,396,358,438 | 16% | 383,417,350 | 345,075,615 |
| North Carolina | 8,049,313 | 3,132,013 | 895 | 1,063,564,500 | 16% | 170,170,320 | 153,153,288 |
| Pennsylvania | 12,281,054 | 4,777,003 | 1,365 | 1,622,167,854 | 16% | 259,546,857 | 233,592,171 |
| Vermont | 608,827 | 240,634 | 69 | 81,714,150 | 16% | 13,074,264 | 11,766,838 |
| West Virginia | 1,808,344 | 736,481 | 210 | 250,093,166 | 16% | 40,014,907 | 36,013,416 |
| Totals | 74,650,869 | 28,258,314 | 8,074 | $9,595,917,899 | | $1,535,346,864 | $1,381,812,177 |

SOURCES: U.S. Census Bureau: 2000 Census, American Community Survey 2003; Morgan Stanley's assumption of 3500 households per branch as a saturation point. Advance America report Jan 25, 2005, pg 25

To estimate the savings in states that have enforced bans against payday lending, we first must predict the number of stores that would open after the legalization of payday lending in a state.

Using Morgan Stanley's assumption of 3,500 households per payday loan store for average state saturation, we divide household figures in each state by 3,500.[53] For example, Connecticut has 1,301,670 households, so we predict that after authorization it would have 372 stores. For all non-authorization states combined, we project 8,074 new stores.

We calculated the potential loan volume in each state by multiplying our estimate of the number of stores by annual loan originations per store and median loan size (See Appendix 2). Connecticut's 372 stores would generate $442 million with all non-authorization states generating $9.6 billion in loan volume annually. Next, we multiplied the loan volume in each state by a typical rate cap, based on Advance America's average fee of 16 percent, to get total projected payday loan fees. We then took 90 percent of that figure, which is our estimate of the cost of payday loans that would go to borrowers caught in a cycle of abusive lending.

Consistent with our overall methodology, we have used conservative assumptions about saturation levels in order to provide a reliable lower-end estimate. In North Carolina, for example, there were an estimated 1000 payday shops when payday lending was legal in the state between 1997 and 2001. Using Morgan Stanley's assumption of 3,500 households per payday loan store for average state saturation, we estimate 895 North Carolina shops in a mature market. These more conservative payday shop counts lower our projected savings figure.

A less conservative methodology of calculating payday lending growth in non-authorization states would be to use the assumptions of Stephens Inc., which used the payday lending concentration in the state of Tennessee as the proxy for a mature market, consequently predicting steady growth for the national market.[54] In the report, Tennessee is listed as having 1,200 payday loan shops, equating to roughly one store for every 1,900 households.[55] This would probably be an aggressive figure to use nationwide; it would assume that all states can bear the saturation of Tennessee, which according to the May 24, 2004 Stephens Inc. report is the second most payday-saturated state in the country behind only Mississippi.[56]

NOTES

1 These short-term loans are also referred to as deferred deposit, deferred presentment, or check loans.

2 Based on 2003 data placing the general cost of payday loans between a $15 and $17 fee per $100 loaned for a period of approximately 14 days, amounts equivalent to annual percentage rates of 391% and 443% respectively. See *Update on the Payday Loan Industry: Observations on Recent Industry Developments*, Stephens Inc. (September 26, 2003).

3 The investment bank, Stephens Inc., estimates the annual loan volume of the industry at $40 billion for 2005. CRL has relied upon Stephens Inc. for broad, national estimates in the past. However, considering the new data accessible from state regulators and other sources, the authors have opted to use more precise regulator data where available for this paper.

4 Estimates of the annual loan volume of the industry in 2000 range from $8 to $14 billion. See Michael Stegman and Robert Faris, *Payday Lending: A Business Model That Encourages Chronic Borrowing*, Economic Development Quarterly, Vol. 17, No. 1 (February 2003).

5 Thirty-six states (AL, AK, AZ, CA, CO, DE, FL, HI, ID, IL, IN, IA, KS, KY, LA, MI, MN, MS, MO, MT, NE, NV, NH, ND, OH, OK, OR, RI, SC, SD, TN, TX, UT, VA, WA, WY) have laws or regulations that specifically permit payday loans. Updated from Jean Ann Fox, *Unsafe and Unsound: Payday Lenders Hide Behind FDIC Bank Charters to Peddle Usury*, Consumer Federation of America, March 2004.

6 See *Stegman*, endnote 4 at p8. See also John P. Caskey, *The Economics of Payday Lending*, Center for Credit Union Research, 2002; and Peter Skillern, *Small Loans, Big Bucks: An Analysis of the Payday Lending Industry in North Carolina*, Community Reinvestment Association of North Carolina, 2002.

7 Keith Ernst, John Farris & Uriah King, *Quantifying the Economic Cost of Predatory Payday Lending*, Center for Responsible Lending (2003), available at http://www.responsiblelending.org/pdfs/CRLpaydaylendingstudy121803.pdf.

8 Advance America, the largest payday lender in the nation, reported an average loan principal of $339 in their 2005 annual report to the U.S. Securities and Exchange Commission. Advance America, Cash Advance Centers, Inc., *2005 Annual Report*, p5 (2006).

9 Consistent with *Stegman* (see endnote 4), FDIC researchers recently found no reason to distinguish between rollovers and back-to-back transactions. Flannery & Samolyk, *Payday Lending: Do the Costs Justify The Price?*, 2005, http://www.fdic.gov/bank/analytical/cfr/cfr_wp2005/CFRWP_2005-09_Flannery_Samolyk.pdf at footnote 10.

10 For example, Sandra Harris turned to payday lending in a tough time. After several rollovers, Sandra's first loan was due in full. She couldn't pay it off, so she took a loan from a second lender. Frantically trying to manage her bills, Sandra eventually found herself with six simultaneous payday loans. She was paying over $600 per month in rollover fees, none of which was applied to pay down her principal. Sandra was evicted and her car was repossessed. Story available at www.responsiblelending.org.

11 See *Fox*, endnote 5 at p8.

12 For example, North Carolina experimented with exempting payday loans from their consumer loan interest rate cap of 36 percent for four years, from 1997 to 2001, during which payday lenders commonly charged interest rates in the 400-percent range. See *Stegman*, endnote 4 at p2.

13 For example, in one form of subterfuge the lender offers a rebate for signing up for Internet service. The rebate is actually a payday loan, and the borrower is interested in this loan rather than Internet access. The borrower typically authorizes the lender to draw from their checking account for a monthly or biweekly fee that renews the contract. They must pay back the "rebate" and the fee to cancel and get out of the contract for good. See AG *Cooper Shuts Down Phony Rebate Payday Loan Scheme*, North Carolina Attorney General press release (June 8, 2004) at http://www.ncdoj.com/DocumentStreamerClient?directory=PressReleases/&file=American%20funding.pdf.

14 See *Fox*, endnote 5 at p11.

15 Over the past four years in North Carolina, prior to action by the Attorney General, payday lenders in North Carolina have partnered with several out-of-state banks to make loans in North Carolina. The payday lending chains include, among others, Advance America, Check Into Cash, Check 'N Go, First American Cash Advance (CompuCredit), and QC Holdings (dba Nationwide Budget Finance). Partner banks have included County Bank of Rehoboth Beach, DE, Republic Bank & Trust, KY, American Bank & Trust, SD, Community State Bank, SD, and First Fidelity Bank, SD.

16 Federal Deposit Insurance Corporation, *Payday Lending Programs Revised Examination Guidance*, (March 1, 2005), available at http://www.fdic.gov/news/news/financial/2005/fil1405.html.

17 324 F.Supp.2d 1333 (N.D. Ga. 2004), aff'd, 411 F.3d 1289 (11th Cir. 2005), vacated for rehearing en banc, 433 F.3d 1344 (11th Cir. (en banc) 2005), order granting rehearing en banc vacated for remand to panel for consideration of mootness, 2006 WL 1329700 (11th Cir. (en banc) April 27, 2006), prior decisions vacated as moot, 446 F.3d 1358 (11th Cir. 2006).

18 Order of the Commissioner of Banks of North Carolina, December 22, 2005 available at http://www.nccob.org/NR/rdonlyres/AF33D27C-2D74-40D5-88BE-E701B031DDB4/0/43_AANCFINALORDER122205.pdf. *Payday lending on the way out in NC*, NC Attorney General press release, March 1, 2006, available at www.ncdoj.com/DocumentStreamlinerclient?directory=PressRelease*file=paydaylenders3.06pdf.

19 For example, William Webster, IV, co-founder of Advance America, was among the top ten contributing lobbyists in the 2003-2004 election cycle in North Carolina, according to a report by Democracy North Carolina. See *Lobbyists donated $450,000 to state legislators but their fund-raising goes undisclosed*, July 17, 2006, available at http://www.democracy-nc.org/moneyresearch/2006/lobbyistdonations.html.

20 Illinois has implemented a database, but relevant data has not yet been released.

21 Data is based on voluntary reporting by 63% of the industry. See *Payday Lending Report Statistics & Trends* 2005,Washington State Department of Financial Institutions, 2005 data, available at http://www.dfi.wa.gov/cs/pdf/2005_payday_report.pdf.

22 *Florida Trends in Deferred Presentment*, State of Florida Department of Banking and Finance, Oct 04- Sep 05 data; http://www.veritecs.com/FL_trends_sep_2005.pdf.

23 *Oklahoma Trends in Deferred Deposit Lending*, Veritec Solutions for the Oklahoma Department of Consumer Credit, September 2005: http://www.veritecs.com/OK_trends_11_2005.pdf.

24 Paul Chessin, *Borrowing From Peter to Pay Paul: A Statistical Analysis of Colorado's Deferred Deposit Loan Act*, Denver University Law Review, (2005) at p409.

25 Oklahoma and Florida require lenders to record each transaction in a central database supervised by the state. Veritec Solutions began implementing a central database for Florida in 2001 and for Oklahoma in 2003.

26 See *Ernst*, endnote 5 at p13.

27 *2005 Annual Report*, Operation of Deferred Deposit Originators, California Dept. of Corporations, http://www.corp.ca.gov/pdf/CDDTL2005ARC.pdf.

28 *Iowa Division of Banking survey results for 2005*, Rod Reed, Finance Bureau Chief. The survey was conducted at 109 delayed deposit services branches, and at each branch the examiner reviewed a 12-month history of the last 20 borrowers. See Sheila Bair, *Low-Cost Payday Loans: Opportunities and Obstacles*, Isenberg School of Management, University of Massachusetts, June 2005, p8. Available at http://www.aecf.org/publications/data/payday_loans.pdf.

29 *Payday Lender Licensees Check Cashers Operating at the Close of Business December 31, 2005*, Virginia: Bureau of Financial Institutions, State Corporation Commission, Virginia, 2005 data; http://www.scc.virginia.gov/division/banking/forms/ar04-05.pdf.

30 Advance America, Cash Advance Centers, Inc., 2005 *Annual Report*, p5 (2006); QC Holdings, Inc. 2005 Annual Report, p4, (2006), available at http://www.sec.gov.

31 Survey on file with Sheila Bair, see endnote 28 at p79.

32 "...the data are consistent with the charge that most payday loan customers are frequent borrowers who may be trapped in a persistent and costly debt cycle." See *Caskey*, endnote 6 at p38; and "...the financial performance of the payday loan industry, at least in NC, is significantly enhanced by the successful conversion of more and more occasional users into chronic borrowers." See *Stegman*, endnote 4 at p1.

33 Morgan Stanley Report, *Advance America: Initiating with an Underweight-V Rating*, January 25, 2005 at p10.

34 *The Cost of Providing Payday Loans in Canada*, Ernst & Young, p46, Oct 2004.

35 Flannery & Samolyk, *Payday Lending: Do the Costs Justify The Price?*, June 2005. http://www.fdic.gov/bank/analytical/cfr/cfr_wp2005/CFRWP_2005-09_Flannery_Samolyk.pdf.

36 Though the FDIC researchers note that repeat borrowers do not affect store profits beyond their proportional contribution to total loan volume, this is a distinction without a difference. The salient point, confirmed in their findings, is that a high number of borrowers take out multiple loans per year, accounting for nearly all of payday lenders' revenues.

37 See *Flannery*, endnote 34 at p2.

38 "Where there is any 'competition' in finance charge pricing, it occurs primarily in what can be characterized as 'promotional' loans. For example, some lenders offer discounts to consumers for the consumer's very first loan; others will discount, for example, every tenth loan." See Chessin, endnote 24 at p409.

39 See *Flannery*, endnote 34 at p9.

40 See *Chessin*, endnote 37 at p409.

41 Morgan Stanley has observed that Mississippi, New Mexico and Tennessee appear to be saturated with payday lenders. See *Morgan Stanley Advance America Equity Research Report*, p25, (Jan. 25, 2005). Stephens, Inc. recently used the payday lending concentration in the state of Tennessee as the proxy for a mature market. In the report, Tennessee is listed as having 1,200 payday loan shops, equating to roughly one store for every 5,000 people. See Dennis Telzrow & David Burtzlaff, *Industry Report: Payday Loan Industry*, 4 Stephens, Inc., (May 24, 2004).

42 See Advance America, 2005 *Annual Report*, endnote 29 at p5 (2006).

43 QC Holdings, Inc., 2005 *Annual Report*, at p8 (2006), available at http://www.sec.gov.

44 See *Ernst*, endnote 7 at p8.

45 See Peter Skillern, *Small Loans, Big Bucks: An Analysis of the Payday Lending Industry in North Carolina*, (2002) (comparing payday loans to returns on equity from credit cards); see also, Jean Ann Fox and E. Mierzwinski, *Rent-A-Bank Payday Lending: How Banks Help Payday Lenders Evade Consumer Protections*, (November 2001) at endnote 16 (detailing additional rate-risk comparisons with other types of financial products).

46 See endnote 13.

47 *Payday Lenders in Arkansas: The Regulated and the Unregulated: An Updated Study*, Arkansans Against Abusive Payday Lending, February 2006. Available at www.stoppaydaypredators.org/pdfs/news%20articles/06_0200_Payday_U_Study.pdf.

48 On Nov. 16, 2006, the Arkansas Supreme Court sent the question of whether payday lending violates the state's constitution back to a circuit court, leaving the businesses still open until it is decided. See David Smith, "Once again, payday loans escape ruling," *Arkansas Democrat-Gazette*, Nov. 17, 2006 at p1.

49 Department of Defense, *Report on Predatory Lending Practices Directed at Members of the Armed Forces and Their Dependents*, Aug. 9, 2006. Available at http://www.defenselink.mil/pubs/pdfs/Report_to_Congress_final.pdf.

50 See Washington State Department of Financial Institutions report, endnote 21.

51 G. Elliehausen & E.C. Lawrence, *Payday Advance Credit in America: An Analysis of Consumer Demand*, (Monograph. 35), Georgetown University, McDonough School of Business, Credit Research Center (2001) at p49.

52 Uriah King, Wei Li, Delvin Davis and Keith Ernst, *Race Matters:The Concentration of Payday Lenders in African-American Neighborhoods in North Carolina*, March 22, 2005, at p8. Available at http://www.responsiblelending.org/reports/NCDispImpact.cfm. For this paper, we surveyed payday lending stores operating in NC by submitting the company names to a telephone database.

53 See Morgan Stanley, endnote 40 at p25.

54 See Stephens Inc, endnote 40 at p4.

55 Tennessee has a total of 2,295,640 households per the U.S. Census Bureau, *American Community Survey*, 2003 available at http://www.census.gov/acs/www/Products/Profiles/Single/2003/ACS/Tabular/040/04000US471.htm.

56 See Stephens Inc., endnote 40 at p5-6.

### *About the Center for Responsible Lending*

The Center for Responsible Lending is a nonprofit, nonpartisan research and policy organization dedicated to protecting homeownership and family wealth by working to eliminate abusive financial practices. CRL is affiliated with Self-Help, one of the nation's largest community development financial institutions.

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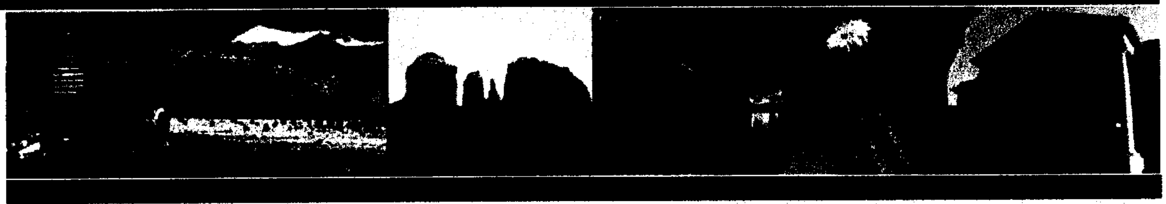

## Company



FOR IMMEDIATE RELEASE
Tuesday, August 08, 2006
News Media Contact: Art McDonald, (520) 884-3628
Financial Analyst Contact: Jo Smith, (520) 884-3650

**UES To Close Four Walk-In Lobbies;**
**Customers Will Have A Variety Of Options Available**
**For Payments And Customer Service**

(Flagstaff, AZ) — UniSource Energy Services (UES) will be closing its walk-in lobbies in the northern Arizona communities of Flagstaff, Prescott, Cottonwood and Show Low on September 29, 2006, but customers will still have access to a variety of alternative payment methods and ways to contact UES Customer Care.

"More and more of our customers have been taking advantage of electronic payment options via the Internet or telephone, or through automatic withdrawals," explained UES Senior Vice President and Chief Operating Officer Dennis R. Nelson. "Growth in the volume of electronic payments should increase even more once we launch our new online billing and payment program later this year."

Nelson said that the growing popularity of electronic payments was just one of several reasons why the company made the move to discontinue walk-in lobby operations in those four communities. "Customers who prefer to pay with cash, or who need payments credited to their accounts right away, can now visit one of our authorized independent payment agents rather than a UES lobby," Nelson said.

Another factor in the decision, according to Nelson, was the personal safety issue for employees created by the handling of cash payments in the lobbies.

Nelson added that "we're constantly looking for ways to do things more productively and efficiently. After all, any cost savings we achieve will eventually benefit our customers through lower rates."

Along with the various electronic payment options and the availability of cash-payment agents, UES provides drop boxes as an alternative to the US Mail for check or money order payments, Nelson said.

He also said that many other customer transactions and inquiries can be handled online at uesaz.com, or with a toll-free call to 877-UES-4YOU (877-837-4968).

Contractors and others who are involved in construction projects will still be able to talk with a UES representative by phone or in person at their local UES offices.

Nelson encouraged customers to visit the company's Web site, uesaz.com, for a complete list of cash payment agents and drop box locations, as well as details on other payment options. "Or they can call 877-UES-4YOU toll-free, 7 a.m. to 7 p.m., Monday through Friday, and talk to a Customer Care representative," Nelson said.

UniSource Energy Services, a subsidiary of UniSource Energy Corporation (NYSE: UNS), provides gas service to more than 142,000 customers in Mohave, Yavapai, Coconino, Navajo and Santa Cruz Counties. UES also provides electric service to more than 91,000 customers in Mohave and Santa Cruz Counties. For more information about UniSource Energy Services, visit www.uesaz.com. For more information about its parent company, UniSource Energy, visit www.uns.com.

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- ACE Cash Express Locations
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**- Cash only -**

- You will be provided with a receipt after cash payment has been made.
- Please verify the accuracy of your account number on your receipt before leaving.
- Please take your bill stub with you. This will help make sure your payment is processed accurately.
- A $1.00 fee will apply at selected locations (see below)

## ACE Cash Express Locations

**Bullhead City**

1812 Highway 95, Ste 20, Bullhead City, AZ 86442 - (928) 763-8865

Store Hours: Monday through Thursday 8:30 a.m. to 6:30 p.m.; Friday 8:30 a.m. to 7:00 p.m.; Saturday 9 a.m. to 5 p.m.; Closed Sunday

**Camp Verde**

522 Finnie Flats Road, #F, Camp Verde, AZ 86322 - (928) 567-0676

Store Hours: Monday through Friday 9:00 a.m. to 6:00 p.m.; Saturday 9 a.m. to 3 p.m.; Closed Sunday

**Chino Valley**

1578 N. US-89 Suite A, Chino Valley, AZ 86323 - (928) 636-5545

Store Hours: Monday through Thursday 8:00 a.m. to 6:30 p.m.; Friday 8:00 a.m. to 7:00 p.m.; Saturday 9:00 a.m. to 5:00 p.m.; Closed Sunday

**Cottonwood**

989 S. Main, Ste B, Cottonwood, AZ 86326 - (928) 639-1000

Store Hours: Monday through Friday 8:30 a.m. to 6:30 p.m.; Saturday 10:00 a.m. to 5:00 p.m.; Closed Sunday

**Kingman**

3787 Stockton Hill Road, Kingman, AZ 86401 - (928) 692-7110
2785 Northern Ave, Kingman, AZ 86401 - (928) 757-7575
**($1 fee will apply)**

Store Hours: Monday through Thursday 8 a.m. to 6:30 p.m.; Friday 8:00 a.m. to 7 p.m.; Saturday 9:00 a.m. to 5:00 p.m.; Closed Sunday

**Lake Havasu**

20 N. Acoma Blvd, Lake Havasu City, AZ 86403 - (928) 854-4447

Store Hours: Monday through Thursday 8:00 a.m. to 6:30 p.m.; Friday 8:00 a.m. to 7:00 p.m.; Saturday 9:00 a.m. to 5:00 p.m.; Closed Sunday

**Nogales**

1965 N. Grand Ave. Nogales, 85621 - (520) 761-3999

Store Hours: Monday through Saturday 9:00 a.m. to 9:00 p.m.; Sunday 10:00 a.m. to 6:00 p.m.

570 W. Mariposa, Nogales, AZ 85621 - (520) 377-2013
**($1 fee will apply)**

Store Hours: Monday through Saturday 9:00 a.m. to 6:00 p.m.; Sunday 9:00 a.m. to 4:00 p.m.

43 N. Morley Ave, Nogales, AZ 85621 - (520) 287-7400
**($1 fee will apply)**

Store Hours: Monday through Saturday 10:00 a.m. to 6:00 p.m.; Sunday 10:00 a.m. to 4:00 p.m.

**Prescott**

621 Miller Valley Road, Prescott, AZ 86301 - (928) 777-0039

Store Hours: Monday through Thursday 8:00 a.m to 6:30 p.m.; Friday 8:00 a.m. to 7:00 p.m.; Saturday 9:00 a.m. to 5:00 p.m.; Closed Sunday

**Prescott Valley**

8101 E. Hwy. 69, Ste A, Prescott Valley, AZ 86314, (928) 759-9939

Store Hours: Monday through Thursday 9:00 a.m. to 6:30 p.m.; Friday 9:00 a.m. to 7:00 p.m.; Saturday 9:30 a.m. 5:00 p.m.; Closed Sunday

## Additional Cash Only Locations

**Flagstaff**

Ozark 'Advanced Quick Cash'
3470 E. Route 66, Suite 101, Flagstaff AZ 86004
Phone: (928) 526-5626
9:00 a.m. to 5:30 p.m., Monday through Friday
10:00 a.m. to 2:00 p.m., Saturday

**Winslow**

The Scoop Advertising
108 E. Second Street, Winslow AZ 86047
Phone: (928) 289-2020

**Show Low**

Audio Advantage/Radio Shack
4431 S. White Mountain Rd., Suite 1, Show Low AZ 85901
Phone: (928) 532-0462

**Sedona**

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100 Verde Valley School, Sedona AZ 86351
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